

## CITY OF FAIR OAKS RANCH

# MUNICIPAL DEVELOPMENT DISTRICT MEETING

Wednesday, October 08, 2025 at 4:00 PM

Public Safety Training Room, Police Station, 7286 Dietz Elkhorn, Fair Oaks Ranch

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## AGENDA

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### OPEN MEETING

1. Roll Call - Declaration of a Quorum
2. Pledge of Allegiance

### CITIZENS and GUEST FORUM

*To address the Board, please sign the Attendance Roster located on the table at the entrance in the foyer of the Public Safety Training Room. In accordance with the Open Meetings Act, the MDD Board may not discuss or take action on any item which has not been posted on the agenda. Speakers shall limit their comments to five (5) minutes each*

3. Citizens to be heard

### CONSENT AGENDA

4. Approval of the July 9, 2025 Regular MDD Board meeting minutes

Keith Rhoden, MDD Secretary

### REPORTS

5. Fair Oaks Ranch Gateway Monument project status update

Kelsey Delgado, CISEC, Project Manager

6. Quarterly Financial and Investment Report for the quarter ended September 30, 2025

Summer Fleming, CGFO, MDD Investment Officer

7. Marketing and Project Opportunities Subcommittee Report

Nicholas DiCianni, Marketing and Project Opportunities Subcommittee Chair

### CONSIDERATION / ACTION ITEMS

8. Consideration and possible action regarding the election of MDD Officers for FY 2025-26

Laura Koerner, MDD President

9. Consideration and possible action approving a resolution reaffirming the Fair Oaks Ranch Municipal Development District's Investment Policy for the investment of public funds, providing for the highest investment return, maximum security, and conforming to all state and local statutes governing the investment of public funds

Summer Fleming, CGFO, MDD Investment Officer

10. Consideration and possible action to update MDD policy language regarding a process for managing small dollar project requests

Mike Lovelace, Small Scope / Small Dollar Subcommittee Chairman

- [11.](#) Consideration and possible action regarding the posting of Municipal Development District meeting videos on the City's website

Amanda Valdez, TRMC, Deputy City Secretary

- [12.](#) Consideration and possible action regarding the annual MDD Policy Review

Keith Rhoden, MDD Secretary

- [13.](#) Consideration and possible action regarding upcoming Regular MDD Board Meeting Dates

Amanda Valdez, TRMC, Deputy City Secretary

## **ADJOURNMENT**

Next quarterly meeting: To Be Announced

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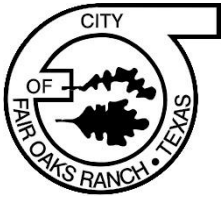
Signature of Agenda Approval: s/ Laura Koerner

Laura Koerner, MDD President

I, Amanda Valdez, TRMC, Deputy City Secretary, certify that the above Notice of Meeting was posted on the outside bulletin board at the Fair Oaks Ranch City Hall, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas, and on the City's website [www.fairoaksranchtx.org](http://www.fairoaksranchtx.org), both places being convenient and readily accessible to the general public at all times

As per Texas Government Code 551.045, said Notice was posted by October 2, 2025 and remained so posted continuously for at least 3 business days before said meeting was convened. A quorum of City Council and various boards, committees, and commissions may attend the Municipal Development District board meeting

|                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Fair Oaks Ranch Police Station is wheelchair accessible at the front main entrance of the building from the parking lot. Requests for special services must be received forty-eight (48) hours prior to the meeting time by calling the City Secretary's office at (210) 698-0900. Braille is not available.</p> |
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## CITY OF FAIR OAKS RANCH

# MUNICIPAL DEVELOPMENT DISTRICT MEETING

Wednesday, July 09, 2025 at 4:00 PM

Public Safety Training Room in the Police Station, 7286 Dietz Elkhorn, Fair Oaks Ranch

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## MINUTES

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### OPEN MEETING

#### 1. Roll Call - Declaration of a Quorum.

Present: President Laura Koerner, Vice President Nicholas DiCianni, Treasurer Mike Lovelace, Secretary Keith Rhoden, Steven Robertson, David Fairhurst, and Ruben Olvera

With a quorum present, the meeting was called to order at 4:00 PM.

#### 2. Pledge of Allegiance – The Pledge of Allegiance was recited in unison.

President Koerner asked for a moment of silence in remembrance of those affected by the recent floods in Texas.

### CITIZENS and GUEST FORUM

#### 3. Citizens to be heard

Resident Harold Prasatik asked where the Municipal Development District plans to utilize the nearly four million dollars in available funds.

### CONSENT AGENDA

#### 4. Approval of the January 8, 2025 Regular MDD Board meeting minutes

#### 5. Approval of the April 9, 2025 Regular MDD Board meeting minutes

The minutes were approved by Consensus.

### PRESENTATIONS

#### 6. MDD Legal Training

MDD Attorney Dan Santee presented a training class on MDD legal rules and potential uses of funds, along with training on the Open Meetings Act.

*Board Member Steven Robertson arrived at 4:22 PM*

### REPORTS

#### 7. Fair Oaks Ranch Gateway Monument project status update

Kelsey Delgado, Project Manager for the City of Fair Oaks Ranch, gave an update on the project with expected completion in September.

**8. Quarterly Financial and Investment Report for the quarter ended June 30, 2025**

MDD Investment Officer Summer Fleming gave a financial report on the income and balance sheet. The projected fund balance for the fiscal year is anticipated to be \$3.77 million.

**9. Marketing and Project Opportunities Subcommittee Report**

Nick DiCianni reported on activities for the subcommittee, noting the group recently had a brainstorming session to consider types of businesses the MDD could encourage to come into the district. Additionally, David Fairhurst reported on conversations with a consultant who suggested reaching out to local consultants in the area to help guide the MDD in marketing opportunities for grants and other ideas to drive additional revenue. The subcommittee requested a special Board Meeting Workshop to do further work on the Strategic Plan.

**CONSIDERATION / ACTION ITEMS****10. Consideration and possible action to terminate the Chapter 377 Project Funding Agreement between the Fair Oaks Ranch Municipal Development District and the City of Fair Oaks Ranch for development of a community center**

**MOTION:** Made by President Laura Koerner and seconded by Secretary Keith Rhoden to terminate the Chapter 377 Project Funding Agreement between the Fair Oaks Ranch Municipal Development District and the City of Fair Oaks Ranch for development of a community center.

**VOTE:** 7-0; Motion Passed.

**11. Consideration and possible action to approve the FY 2025-26 MDD Budget**

**MOTION:** Made by Nick DiCianni and seconded by Board Member Ruben Olvera to approve the MDD FY2025-26 Budget as presented.

**VOTE:** 7-0; Motion Passed.

**12. Consideration and possible action authorizing the MDD President to sign a Professional Services Agreement for auditing services with Brooks Watson & Co.**

**MOTION:** Made by Treasurer Mike Lovelace and seconded by Secretary Keith Rhoden to authorize the MDD President to sign a professional services agreement with Brooks Watson & Co.

**VOTE:** 7-0; Motion Passed.

**13. Discussion, consideration, and possible action on MDD policies, rules, procedures, document reviews, and committees.**

President Koerner requested that Secretary Rhoden present a review of MDD policies at the next regular quarterly meeting

**14. Discussion, consideration and possible action to update MDD policy language regarding a process for managing small dollar project requests**

Mike Lovelace presented a draft of the policy. The Board requested the MDD attorney to review and a final draft to be presented at the next regular quarterly meeting.

**ADJOURNMENT**

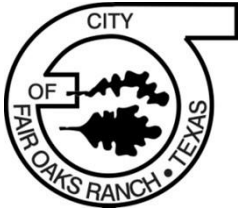
President Koerner announced that the next quarterly meeting will take place on October 8, 2025 at 4:00 PM.

President Koerner adjourned the meeting at 5:58 PM.

ATTEST:

\_\_\_\_\_  
Laura Koerner, MDD President

\_\_\_\_\_  
Keith Rhoden, MDD Secretary




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## MUNICIPAL DEVELOPMENT DISTRICT REPORT CITY OF FAIR OAKS RANCH, TEXAS

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AGENDA TOPIC: Quarterly Financial & Investment Report for the quarter ended September 30, 2025

DATE: October 8, 2025

DEPARTMENT: Finance

PRESENTED BY: Summer Fleming, CGFO, MDD Investment Officer

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### **INTRODUCTION/BACKGROUND:**

Pursuant to Government Code Section 2256.023 and the MDD's Investment Policy Section 11, the Investment Officer is required, on a quarterly basis, to prepare and submit to the MDD Board a written report of investment assets and the market value of the current investments.

The attached presentation is being made to comply with the Q4 FY2024-25 reporting requirements.

### **POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

Regular review and reporting of the MDD's assets and investments ensures transparency, safeguards public funds, and confirms the portfolio is managed in compliance with the adopted investment policy.

### **BUDGETARY IMPACT:**

Through September, the District has collected \$450,273 in sales tax revenue. Because sales tax is remitted two months in arrears, an additional \$77,727 has been accrued for August and September collections. The District also earned \$41,729 in interest this quarter, bringing total year-to-date investment earnings to \$159,514. In total, revenues for the fiscal year reached \$687,514, which is \$83,514 above the adopted budget.

Fiscal year expenditures totaled \$266,788, resulting in a net addition of \$420,726 to fund balance. This increased the District's total fund balance to \$3.75 million as of September 30, 2025. These amounts are preliminary, as the books have not been closed or audited; however, no material changes are anticipated.

The District's investments remain conservatively managed, with the majority of funds placed in two local government investment pools, while a small balance is maintained in the Frost Bank operating account to meet day-to-day operating needs. As of September 30, the combined investment balance was \$3.90 million.

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Fair Oaks Ranch  
Municipal Development District  
Quarterly Financial & Investment Report

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Preliminary Year-End Results  
September 30, 2025

Prepared by:

*Summer Fleming*

Summer Fleming, MDD Investment Officer

Fair Oaks Ranch Municipal Development District  
Statement of Revenues and Expenditures  
Preliminary Financial Results (Unaudited)  
For the Fiscal Year Ended September 30, 2025

|                                    | <b>Amended<br/>Budget</b> | <b>Year End<br/>Projected</b> | <b>Variance with<br/>Amended Budget<br/>Positive<br/>(Negative)</b> |
|------------------------------------|---------------------------|-------------------------------|---------------------------------------------------------------------|
| Beginning Fund Balance             | 3,331,455                 | 3,331,455                     |                                                                     |
| <u>Revenues</u>                    |                           |                               |                                                                     |
| Local Sales Tax                    | 504,000                   | 528,000                       | 24,000                                                              |
| Interest                           | 100,000                   | 159,514                       | 59,514                                                              |
| Total Revenue                      | 604,000                   | 687,514                       | 83,514                                                              |
| <u>Expenditures</u>                |                           |                               |                                                                     |
| Supplies                           | 250                       | -                             | 250                                                                 |
| Training/Seminars                  | 500                       | 360                           | 140                                                                 |
| Attorney                           | 3,500                     | 3,906                         | (406)                                                               |
| Auditor                            | 4,725                     | 4,725                         | -                                                                   |
| Professional Services              | 33,450                    | 32,907                        | 543                                                                 |
| Insurance                          | 50                        | 50                            | -                                                                   |
| Grant Awards                       | 249,840                   | 224,840                       | 25,000                                                              |
| Total Expenditures                 | 292,315                   | 266,788                       | 25,527                                                              |
| Revenues over/(under) expenditures | 311,685                   | 420,726                       | 109,041                                                             |
| Ending Fund Balance                | 3,643,140                 | 3,752,181                     |                                                                     |

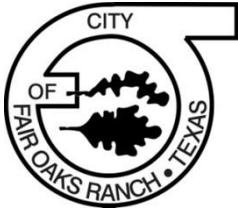
| <u>Ending Fund Balance Detail</u> | <b>Budget</b> | <b>Projected</b> |
|-----------------------------------|---------------|------------------|
| Operating                         | 50,000        | 50,000           |
| Infrastructure - Assigned         | 2,393,140     | 3,702,181        |
| Infrastructure - Committed        | 1,200,000     | -                |
|                                   | 3,643,140     | 3,752,181        |

Fair Oaks Ranch Municipal Development District  
Investment Report  
For the Quarter Ended September 30, 2025

| <b>Description</b> | <b>Beginning<br/>Balance</b> | <b>Ending<br/>Balance</b> | <b>Market<br/>Value</b> | <b>QTD<br/>Interest</b> | <b>Fiscal<br/>YTD Interest</b> | <b>Avg Yield</b> | <b>Weighted<br/>Avg<br/>Maturity</b> |
|--------------------|------------------------------|---------------------------|-------------------------|-------------------------|--------------------------------|------------------|--------------------------------------|
| Frost Bank         | 25,629                       | 21,818                    | 21,818                  | 195                     | 958                            | 0.32%            | N/A                                  |
| TexPool            | 1,444,662                    | 1,595,702                 | 1,595,702               | 16,471                  | 57,239                         | 4.29%            | 42 Days                              |
| Texas Class        | 2,256,711                    | 2,281,774                 | 2,281,774               | 25,063                  | 101,317                        | 4.38%            | 41 Days                              |
| <b>Total</b>       | <b>3,727,002</b>             | <b>3,899,294</b>          | <b>3,899,294</b>        | <b>41,729</b>           | <b>159,514</b>                 |                  |                                      |

**Interest Rate Comparison**

| <b>Qtr Ended</b>    | <b>TexPool</b> | <b>Texas CLASS</b> | <b>3 Month<br/>T-bill</b> | <b>6 Month<br/>T-bill</b> | <b>2 Year<br/>Treasury<br/>Note</b> | <b>CDARS<br/>6 month CD</b> |
|---------------------|----------------|--------------------|---------------------------|---------------------------|-------------------------------------|-----------------------------|
| Dec-24              | 4.74%          | 4.89%              | 4.51%                     | 4.42%                     | 4.25%                               | 3.97%                       |
| Mar-25              | 4.37%          | 4.49%              | 4.20%                     | 4.07%                     | 3.87%                               | 3.65%                       |
| Jun-25              | 4.32%          | 4.41%              | 4.24%                     | 4.11%                     | 3.78%                               | 3.50%                       |
| Sep-25              | 4.29%          | 4.38%              | 3.95%                     | 3.84%                     | 3.57%                               | 3.06%                       |
| <b>Year Average</b> | <b>4.43%</b>   | <b>4.54%</b>       | <b>4.23%</b>              | <b>4.11%</b>              | <b>3.87%</b>                        | <b>3.55%</b>                |




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**MUNICIPAL DEVELOPMENT DISTRICT  
CONSIDERATION ITEM  
CITY OF FAIR OAKS RANCH, TEXAS**

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AGENDA TOPIC: Consideration and possible action regarding the election of MDD Officers for FY 2025-26

DATE: October 8, 2025

DEPARTMENT: MDD Board

PRESENTED BY: Laura Koerner, MDD President

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**INTRODUCTION/BACKGROUND:**

Article III, Section 1 of the MDD Rules of Procedure states the MDD Board of Directors shall choose from its members a President, Vice President, Secretary and Treasurer.

**POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

Effective leadership of the MDD Board of Directors is essential to conducting all MDD required actions and reports in accordance with Texas MDD Laws and Comptroller requirements, while also providing good stewardship of MDD funds on behalf of our citizens. These officers will be internally elected to serve for fiscal year 2025/2026 (FY 2025-26) with this term ending on September 30, 2026. A new election will be held for each position in October 2026 for fiscal year 2026/2027 (FY 2026-27). All duly appointed MDD board members may seek any office each year. Elections will be held in an open meeting and all votes will be publicly cast by each board member.

**LONG TERM FINANCIAL & BUDGETARY IMPACT:**

None

**LEGAL ANALYSIS:**

N/A

**RECOMMENDATION/PROPOSED MOTION:**

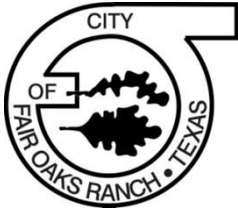
Separate motions may be required to elect a President, Vice President, Secretary and Treasurer. However, if each position has only one board member seeking that office a slate motion may be appropriate. This will be determined in real time in open forum during the election consideration item on this agenda.

I move to elect \_\_\_\_\_ for the position of President.

I move to elect \_\_\_\_\_ for the position of Vice President.

I move to elect \_\_\_\_\_ for the position of Secretary.

I move to elect \_\_\_\_\_ for the position of Treasurer.




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**MUNICIPAL DEVELOPMENT DISTRICT  
CONSIDERATION ITEM  
CITY OF FAIR OAKS RANCH, TEXAS**

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**AGENDA TOPIC:** Consideration and possible action approving a resolution reaffirming the Fair Oaks Ranch Municipal Development District's Investment Policy for the investment of public funds, providing for the highest investment return, maximum security, and conforming to all state and local statutes governing the investment of public funds

**DATE:** October 8, 2025

**Department:** Finance

**PRESENTED BY:** Summer Fleming, CGFO, MDD Investment Officer

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**INTRODUCTION/BACKGROUND:**

In accordance with Government Code Section 2256, the Public Funds Investment Act (PFIA), the Municipal Development District (the "District") Board is required to adopt, annually, a resolution stating the Investment Policy has been reviewed to ensure the highest return and maximum security of government funds and record any changes made thereof.

No changes are recommended to the District's Investment Policy at this time. The resolution is presented solely to comply with Government Code Section 2256 by reaffirming the policy.

**POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

Provides oversight of public investments in compliance with the Public Funds Investment Act.

**LONG TERM FINANCIAL & BUDGETARY IMPACT:**

No budgetary impact.

**LEGAL ANALYSIS:**

Approved as to form.

**RECOMMENDATION/PROPOSED MOTION:**

I move to approve a resolution reaffirming the Fair Oaks Ranch Municipal Development District's Investment Policy.

## A RESOLUTION

### **A RESOLUTION OF THE FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT REAFFIRMING THE DISTRICT'S INVESTMENT POLICY FOR THE INVESTMENT OF PUBLIC FUNDS, PROVIDING FOR THE HIGHEST INVESTMENT RETURN, MAXIMUM SECURITY, AND CONFORMING TO ALL STATE AND LOCAL STATUTES GOVERNING THE INVESTMENT OF PUBLIC FUNDS**

**WHEREAS**, to ensure the highest return, maximum security, and to conform to all state and local statutes governing the investment of public funds, the Fair Oaks Ranch Municipal Development District ("the District") adopted a written Investment Policy ("Policy"), and

**WHEREAS**, said Policy is Appendix A of the District's Financial Management Policy, and

**WHEREAS**, the District adopted said Policy, with amendments, on October 9, 2024, and

**WHEREAS**, pursuant to Government Code §2256.005, the District Board shall adopt annually a resolution stating the District's Investment Policy has been reviewed and to record any changes made thereof.

### **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MUNICIPAL DEVELOPMENT DISTRICT OF THE CITY OF FAIR OAKS RANCH, TEXAS:**

- Section 1.** The Investment Policy attached hereto as **Exhibit A** and previously adopted by the Fair Oaks Ranch Municipal Development District, as required by Government Code §2256.005, is reaffirmed as the Investment Policy with no changes.
- Section 2.** That the recitals contained in the preamble hereto are hereby found to be true and such recitals are hereby made a part of this resolution for all purposes and are adopted as a part of the judgment and findings of the Board.
- Section 3.** If any provision of this resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this resolution would have been enacted without such invalid provision.
- Section 4.** That it is officially found, determined, and declared that the meeting at which this resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.
- Section 5.** All resolutions or parts thereof, which are in conflict or inconsistent with any provision of this resolution are hereby repealed to the extent of such conflict, and the provision of this resolution shall be and remain controlling as to the matters resolved herein.
- Section 6.** This resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

**Section 7.** This resolution shall be in force and effect from and after its final passage, and it is so resolved.

**PASSED, APPROVED, and ADOPTED on this 8<sup>th</sup> day of October 2025.**

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Laura Koerner, MDD President

ATTEST:

APPROVED AS TO FORM:

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Keith Rhoden, MDD Secretary

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Denton Navarro Rodriguez Bernal Santee & Zech  
P.C., City Attorney

**Appendix A****INVESTMENT POLICY****I. Policy**

It is the policy of the City of Fair Oaks Ranch Municipal Development District (the “District”) to invest funds in a manner which will provide the highest, reasonable investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all federal, state, and local statutes governing the investment of public funds. It is also the policy of the District that the administration of its funds and the investment of those funds shall be handled as its highest public trust.

**II. Purpose**

The purpose of this policy is to comply with the Texas Government Code, Chapter 2256, the Public Funds Investment Act (the “Act”), and Texas Government Code, Chapter 2257, the Public Funds Collateral Act, which requires the adoption of a written investment policy regarding the investment of funds. The investment policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the District’s funds.

**III. Scope**

This investment policy applies to all financial assets and funds of the District. Funds are defined in the District’s audited Annual Financial Report. Funds are created by the Board unless specifically exempted by the Board and this policy.

Investments are being pooled into a pooled group fund that consists of balances from the District’s funds. The strategy of pooling investments is subject to change as deemed appropriate by the Investment Officer, and subject to the provisions of this Policy.

**IV. General Objectives**

The primary objectives, in priority order, of the District's investment activities shall be safety, liquidity, diversification, and yield.

**Safety** - Safety of the principal is the foremost objective of the District. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio guarding against security defaults or erosion of market value.

**Liquidity** - The investment portfolio will remain sufficiently liquid to meet all operating requirements which might be reasonably anticipated. To the extent possible, this will be achieved by matching investment maturities with forecasted cash flow liabilities and maintaining additional liquidity for unexpected liabilities.

**Diversification** - Diversification of the portfolio will include diversification by maturity and market sector to manage market risk.

**Yield** - The investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the investment risk constraints and liquidity needs. Market rate of return may be defined as the average yield of the current six-month US Treasury Bill. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

Effective cash management is recognized as essential to good fiscal management. Cash Management is defined as the process of managing monies in order to ensure maximum cash availability. The District will effectively collect account receivables, practice prudent investment of its available cash, disburse payments in accordance with invoice terms and manage banking services.

## V. Standards of Care

**Prudence** - The standard of prudence to be used by investing officials shall be the "prudent person" rule and shall be applied in the context of managing the District's overall portfolio with the objectives and priority of preservation of safety of principal, liquidity, and yield. This rule states

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived." Prudence of an investment officer's decisions shall be exercised and measured by considering the investment of all funds under the District's authority, which the investment officer had a responsibility, rather than a consideration to the prudence of a single investment, and whether the investment decision was consistent with the written investment policy.

**Limitation of Personal Liability** - Investment officials acting in accordance with this policy and in accord with the Prudent Person Rule shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change is reported in a timely fashion and the appropriate action is taken to control unfavorable developments.

## VI. Delegation of Authority and Responsibilities

**Delegation of Authority** - The Board of Directors will appoint an Investment Officer. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. The Investment Officer shall be responsible for all investment transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. No person may engage in an investment transaction except as provided under the terms of this policy and established written procedures.

**Training** In accordance with the Act, Investment Officials shall attend ongoing trainings from an independent source authorized to provide PFIA certification. Investment Officials (an Investment Committee made up of the President, Treasurer and Investment Officer) must complete at least 10 hours of investment training within 12 months of taking office or assuming duties, and shall attend a PFIA certified investment training course not less than once in a two-year fiscal period receiving no less than 10 hours of instruction relating to investment controls, security risks, strategy risks, market risk, diversification, and compliance.

**Ethics and Conflicts of Interest** - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions that conduct business with the District. An investment official who has a personal business relationship with an organization seeking to sell an investment to the District shall file a statement disclosing that personal business interest. An investment official who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the District shall file a statement disclosing the relationship. A statement required under this subsection must be filed with the Texas Ethics Commission. **Board of Directors Responsibilities** – The Board of Directors hold ultimate fiduciary responsibility for the investment portfolio. The Board of Directors will appoint an investment officer, review quarterly reporting, approve authorized broker/dealers, and annually review and adopt the Investment Policy by Resolution.

## VII. Internal Controls

The Board President and Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse.

The internal control shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived and (b) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall focus on the following points:

- Separation of duties to prevent collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Clear delegation of authority
- Documentation of transactions

The District's Investment Officer shall perform an internal compliance audit of management controls on investments and adherence to investment policies in conjunction with the annual financial audit.

### **VIII. Safekeeping and Custody**

**Safekeeping** – All securities purchased by the District under this Policy, excluding Investment Pools and Mutual Funds, shall be settled on a delivery versus payment basis and held in safekeeping by an independent third-party financial institution approved by the District. All safekeeping arrangements will be approved by the Investment Officer and an agreement of the terms executed in writing. The safekeeping institution shall be required to issue safekeeping receipts to the District including all pertinent information for each security and clearly indicating the ownership by or pledge to the District.

**Authorized Financial Dealers and Institutions** - The Investment Officer will maintain a list of financial institutions and security broker/dealers authorized to provide investment/depository services. The list of qualified brokers/dealers shall be reviewed and adopted annually by the Board of Directors as part of the investment policy resolution. All authorized brokers/dealers will be provided with a copy of our investment policy and have a qualified representative sign a policy certification stating they have (1) read and reviewed the policy and (2) have implemented reasonable procedures and controls in an effort to prevent unauthorized investment transactions not authorized by this Policy, except to the extent that this authorization is dependent on an analysis makeup of the District's entire portfolio or requires an interpretation of subjective investment standards. A broker may be removed from eligible status, without notice, at the District's sole discretion.

Those firms that request to become qualified bidders for securities transactions must provide one or more of the following as applicable:

- Proof of Financial Industry Regulatory Authority (FINRA) certification and FINRA's Central Depository Registration (CRD) number
- Proof of Texas State Securities registration
- Annual audited financial statements,
- Proof of National Association of Security Dealers certification,
- Trading resolution

Each pool the District participates will be provided a copy of the District's current investment policy and have a qualified representative sign a compliance certification stating that they have (1) read and reviewed the policy and (2) have implemented reasonable procedures and controls to preclude unauthorized investment transactions in the entity's investment policy, except to the extent authorization is dependent on an analysis makeup of the District's entire portfolio, requires an interpretation of subjective investment standards.

The Investment Officer of the District may not use any dealer or institution which has not met the requirements above.

**Investment Management Firms** – The District may, at the Board of Director’s approval, contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for investment and management of its public funds or funds under its control. This contract term shall be a maximum of 2 years with renewal or extensions subject to approval by the Board of Directors by resolution.

**Depository Agreement** - At least every five (5) years, a primary services depository shall be selected by the District through a competitive request for proposal (RFP) or bid process in accordance with Section 105 of the Texas Government Code. In selecting this depository, the services, cost of services, credit worthiness, earnings potential, and collateralization by the institutions shall be considered. This institution shall be used for normal banking services including disbursements, collections, and safekeeping. Other banking institutions from which the District may purchase certificates of deposit will also be designated as a depository and must execute a written agreement in accordance with the provisions of this Policy if collateral is required.

**Delivery vs Payment** - All trades except for investment pools and mutual funds will be executed by delivery vs payment to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities and collateral will be held in the District’s name by a third-party custodian as evidenced by safekeeping receipts of the institution with which the securities are deposited.

**Competitive Bidding** – All investment transactions, excluding market mutual funds, local government investment pools and securities made at prevailing market rates, shall be made on a competitive basis to assure that the District is receiving fair market prices. Bids, of at least three competitive offers, may be orally, in writing, electronically, or in any combination of those methods.

**Monitoring Credit Ratings** – The Investment Officer shall monitor the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by the Policy, the Investment Officer will notify the Board President of the loss or rating immediately and make a recommendation as to the conditions affecting the rating and possible loss of principal with available liquidation options.

**Monitoring Insurance Status** – The Investment Officer shall monitor the status and ownership of all banks issuing brokered CDs owned by the District based upon information from the FDIC / NCUA / SIPC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer will immediately liquidate any brokered certificate of deposit which placed the District above the FDIC / NCUA / SIPA insurance level.

## **IX. Authorized and Suitable Investments**

**Eligible Investments** - Assets of the District may be invested in the following instruments as authorized by the Public Funds Investment Act (Section 2256). Only those instruments listed in this section are authorized and will be used as needed to maintain an appropriate diversified portfolio. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. Prudent measures will be taken to liquidate any investment that drop below the required minimum rating in accordance with the District’s policy.

- a. Local Government Investment Pools which meets the requirements of Chapters 2256.016-2256.019 of the Public Funds Act which include being rated no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service and strive to maintain a \$1 net asset value.
- b. Obligations of the United States or its agencies and instrumentalities, excluding mortgage-

backed securities.

- c. Certificates of Deposit CDs issued by a depository institution that has its main office or a branch in Texas. The CD must be guaranteed or fully insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and secured by obligations and collateralized in a manner and amount as provided by law.
- d. Brokered Certificates of Deposit issued by one or more federally insured depository institutions, wherever located within the United States, delivered versus payment to the District's safekeeping agent. The CD must be guaranteed or fully insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and secured by obligations and collateralized in a manner and amount as provided by law. Before purchase, the Investment Officer must verify the FDIC/NCUA status of the bank to assure the bank is FDIC/NCUA insured.
- e. No-load Money Market Mutual Funds that comply with SEC Rule 2a-7 and 1) are registered and regulated by the Securities and Exchange Commission and provides a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, seek to maintain a net asset value of \$1 per share, and 43) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

**Existing Investments** – The District is not required to liquidate investments which were authorized investments at the time of purchase under the Public Funds Investment Act (Section 2256.017).

**Collateralization** - Collateralization will be required on all funds on time and demand deposits with a depository bank, other than investments, above the FDIC coverage by pledged collateral. To anticipate market changes and provide a level of security, the collateralization level will be not less than one hundred two percent (102%) of market value of principal and accrued interest. All collateral must be pledged to the District and shall be held by an independent third-party institution approved by the District outside the holding company of the pledging bank. A depository/collateral agreement shall be executed between the District, district depository, and custodian. The pledging institution will monitor and maintain the margins daily. The custodian will provide a monthly report of collateral pledged to the District.

Authorized Collateral - Only securities prescribed as eligible investments under the Public Funds Investment Act qualify as pledged securities and are limited by the District as appropriate.

## **X. Investment Parameters**

**Diversification** - See Section IV; General Objectives

**Maximum Maturities** - To the extent possible, the District shall attempt to match its investments with anticipated cash flow requirements. The average dollar-weighted maturity of an individual investment of the District's portfolio shall not exceed one (1) year. The maximum allowable maturity of an individual investment shall be no more than two (2) years.

## **XI. Performance Standards**

The investment portfolio shall be managed in accordance with the objectives specified in this policy (safety, liquidity, diversification, and yield). The District shall pursue a conservative buy-and-hold portfolio and swaps will be prohibited. However, securities may be sold before they mature if market conditions present an opportunity for the District to benefit from the trade. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. As the benchmark, the Investment Officer shall determine whether market yields are being achieved by comparing the portfolio market yield to the three (3) month U.S. Treasury Bill, the six (6) month U.S. Treasury Bill and the two (2) year U.S. Treasury Note.

## **XII. Investment Strategies**

The District may maintain separate portfolios, or one commingled portfolio for individual funds that are managed according to the terms of this Policy. Investments may be pooled or invested for the benefit of one or more funds. If pooled, principal and interest income is distributed to each respective fund on a pro rata basis. Whether investments are pooled or invested separately is decided by the Investment Officer based upon which method is most beneficial to the District for the investment strategies established. The investment strategy for portfolios established after the annual Investment Policy review and adoption will be managed to ensure that it will meet all the requirements established by the District's investment policy and the Public Funds Investment Act.

The District's portfolio is maintained to meet anticipated cash needs for operations, capital projects and debt service. In order to ensure the ability to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the investment portfolio shall not exceed one (1) year. The objectives of this portfolio are to ensure safety of principal; ensure adequate investment liquidity; limit market and credit risk through diversification; and attain the best feasible yield in accordance with the objectives and restrictions set for in this Policy.

## **XIII. Reporting Methods**

As required by Government Code 2256.023, on a quarterly basis, the Investment Officer shall prepare and submit to the Board, a written report for the preceding quarter in accordance with the Public Funds Investment Act. The report will include the following, at a minimum:

- A description of the Investment position of the District on the date of the report.
- A summary statement for each pooled fund group stating the beginning market value for the period, additions and changes to the market value during the period, and the ending market value for the period, and any fully accrued interest.
- Book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested.
- Maturity date of each separately invested asset that has a maturity date.
- Account or fund or pooled group fund of the District for which each individual investment was acquired.
- Statement of compliance of the investment portfolio of the District with the Act and Investment Policy.

Market prices for market value calculation of the investment portfolio will be calculated quarterly by independent sources.

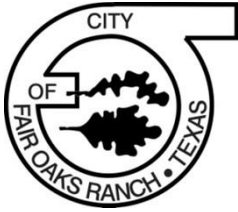
If the District invests in any investments other than money market mutual funds, investment pools, or depository bank investment accounts then the District's internal controls and quarterly reports shall be reviewed by the District's independent auditor during the annual audit process.

## **XIV. Investment Policy Adoption**

The Investment Policy shall be adopted by Resolution as part of the Financial Management Policies. The policy shall be reviewed and adopted by Resolution annually by the Board of Directors.

## List of Qualified Brokers/Dealers

|                                                                                                                                                 |                                                                                                           |                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| <u>Frost Bank</u><br><u>111 W. Houston Street</u><br><u>San Antonio, TX 78205</u>                                                               | <u>Manuel Long</u><br><u>Vice President - Public Finance</u><br><u>manuel.long@frostbank.com</u>          | <u>(210) 220-5372</u><br><u>(210) 262-9081 C</u> |
| <u>Frost Bank Securities</u><br><u>111 W. Houston Street</u><br><u>San Antonio, TX 78205</u>                                                    | <u>Eileen Slater</u><br><u>Sr. Vice President - Capital Markets</u><br><u>eileen.slater@frostbank.com</u> | <u>(210) 220-5546</u><br><u>(210) 404-8815 C</u> |
| <u>TexPool Participant Services</u><br><u>1001 Texas Avenue</u><br><u>Suite 1150</u><br><u>Houston, TX 77002</u>                                | <u>Denise Hamala</u><br><u>Unit Manager</u><br><u>denise.hamala@FederatedHermes.com</u>                   | <u>(866) 839-7665</u>                            |
| <u>Texas CLASS</u><br><u>6907 Shavelson St.</u><br><u>Houston, TX 77055</u>                                                                     | <u>Zach Brewer</u><br><u>Director - Investment Services</u><br><u>zach.brewer@texasclass.com</u>          | <u>(281) 642-4350</u>                            |
| <u>Hilltop Securities Inc.</u><br><u>1201 Elm Street</u><br><u>Suite 3500</u><br><u>Dallas, TX 75270</u>                                        | <u>Gilbert Ramon</u><br><u>Vice President</u><br><u>gilbert.ramon@hilltopsecurities.com</u>               | <u>(713) 654-8606</u><br><u>(713) 724-4178 C</u> |
| <u>UBS Financial Services, Inc.</u><br><u>1780 Hughes Landing Blvd.</u><br><u>3 Hughes Landing, Suite 200</u><br><u>The Woodlands, TX 77380</u> | <u>Richard Ebert</u><br><u>First Vice President - Wealth Management</u><br><u>richard.ebert@ubs.com</u>   | <u>(281) 362-6340</u>                            |
| <u>Stifel, Nicolaus &amp; Company, Inc.</u><br><u>2107 Elliott Avenue</u><br><u>Suite 208</u><br><u>Seattle, WA 98121</u>                       | <u>Josh Gorham</u><br><u>Managing Director</u><br><u>gorhamj@stifel.com</u>                               | <u>(206) 443-7260</u><br><u>(206) 963-1280 C</u> |




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**MUNICIPAL DEVELOPMENT DISTRICT  
CONSIDERATION ITEM  
CITY OF FAIR OAKS RANCH, TEXAS**

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AGENDA TOPIC: Consideration and possible action regarding the posting of Municipal Development District meeting videos on the City's website

DATE: October 8, 2025

DEPARTMENT: MDD Board

PRESENTED BY: Amanda Valdez, TRMC, Deputy City Secretary

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**INTRODUCTION/BACKGROUND:**

The City has historically posted audio/video recordings of City Council meetings on the City's website. At the request of residents, the City is moving forward with posting video recordings of all board, commission, and committee meetings on its website. As the District is its own entity, the City Manager requests that the Board determine whether to also publish recordings of their meetings.

**POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

Making recordings available supports transparency, accessibility, and community trust by giving residents the ability to view proceedings at their convenience.

**LONG TERM FINANCIAL & BUDGETARY IMPACT:**

None.

**LEGAL ANALYSIS:**

N/A

**RECOMMENDATION/PROPOSED MOTION:**

I move that the Municipal Development District Board of Directors meeting recordings be posted on the City's website.



# Fair Oaks Ranch Municipal Development District Policy Review Procedure



**Process Owner:** MDD Board Secretary

**Procedure Purpose:** Ensure that FOR MDD policies are being reviewed on a periodic basis to ensure relevance, compliance, and Board awareness.

**Procedure:**

1. The Board Secretary will collaborate with the City Secretary's office to establish and maintain a list of MDD Policies.
2. Each year, at the July regular meeting of the Board, the Board Secretary will initiate the annual review cycle by distributing policies that are due for review to the appropriate policy owners and setting the timeline for the review cycle.
3. The due date for review of a policy will be based on:
  - a) the periodicity specified within the policy or by governing statute or regulation; or
  - b) at a minimum of once every two years if not otherwise stipulated; or 3) as deemed necessary by the Policy Owner or the Board.

**NOTE:** A Policy Owner is the Board Officer that is charged with primary responsibility for the scope of activity covered by the Policy.

4. The target schedule to complete the reviews and present the resulting item for consideration & possible action or information will be the October regular meeting of the Board.
5. In cases where a policy owner requires additional time to resolve the review or deems it necessary to perform an out-of-cycle review, that will be permitted and is to be coordinated with the Board Secretary.
6. If the Policy Owner or the Board identifies the need to develop a new policy, that will be performed at the time the need arises and the new policy will be reviewed in accordance with this procedure.
7. Progress on policy reviews will be tracked by the Board Secretary, and the Board will receive reports from the Board Secretary on progress and items for consideration and possible actions required to complete the reviews and, if needed, policy updates.

## Fair Oaks Ranch Municipal Development District Policy Review Procedure Tracking Log Template

| Policy                | Owner                                                     | Review Cycle                                       | Assigned to Owner                                                | Reviewed by Board                                                                        | Status                                                                                                                        |
|-----------------------|-----------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <i>Name of policy</i> | <i>Name of Board member(s) responsible for the policy</i> | <i>In accordance with Item 3. Of the Procedure</i> | <i>Date assigned to owner (standard is date of July meeting)</i> | <i>Date that results of review are brought to Board for consideration or information</i> | <ul style="list-style-type: none"> <li>• Review pending</li> <li>• Board consideration pending</li> <li>• Complete</li> </ul> |
| Rules of Procedure    | Board President                                           |                                                    |                                                                  |                                                                                          |                                                                                                                               |
| Financial Management  | Treasurer                                                 |                                                    |                                                                  |                                                                                          |                                                                                                                               |
| Investments           | Treasurer                                                 |                                                    |                                                                  |                                                                                          |                                                                                                                               |
| Project Evaluation    | Treasurer                                                 |                                                    |                                                                  |                                                                                          |                                                                                                                               |

# **FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT RULES OF PROCEDURE**

## **ARTICLE I OFFICE, AGENT, PURPOSE, POWERS**

### **SECTION 1. REGISTERED OFFICE AND REGISTERED AGENT**

The Fair Oaks Ranch Municipal Development District ("District") shall have and continuously maintain In the City of Fair Oaks Ranch ("City") a registered office, which registered office shall be the depository for all records of the district, and a registered agent whose office is identical with such registered office. The Registered Agent for the District shall be the President of the District. The registered office of the District shall be 7286 Dietz Elkhorn, Fair Oaks Ranch, TX 78015 whose mailing address is the same.

### **SECTION 2. PURPOSE**

The District is a political subdivision of the State of Texas and the City for the purposes set forth in the Rules of Procedure, the same to be accomplished on behalf of the City as its duly constituted authority and instrumentality in accordance with Chapter 377 of the Texas Local Government Code ("Act"), other Applicable laws. The District was established for the purpose of developing and financing all permissible projects prescribed by the Act.

### **SECTION 3. POWERS**

In the fulfillment of its purpose, the District shall be governed by the Act, and shall have all of the powers set forth and conferred in the Act, and in other applicable laws, subject to the limitations prescribed therein and herein and to the provisions thereof and hereof.

## **ARTICLE II BOARD OF DIRECTORS**

### **SECTION 1. NUMBER AND TERM OF OFFICE**

- A. The property and affairs of the District shall be managed and controlled by the Board and subject to the restrictions imposed by law and these Rules of Procedure. The Board shall exercise all of the powers of the District.
- B. The Board shall consist of seven (7)-Directors, each of whom shall be appointed by the City Council, as prescribed by Fair Oaks Ranch Code of Ordinances Chapter 1 General Provisions, Article 1.08 Boards, Commissions, and Committees, Section 1.08.001 Municipal Development District Board of Directors.
- C. Each Director shall be appointed to serve a two (2) year term. A Director shall serve until a successor is appointed.
- D. Any Director may be removed from office by the City Council at will.

## **SECTION 2. VACANCIES AND RESIGNATIONS**

A vacancy in any position of Director which occurs by reason of death, resignation, disqualification, removal or otherwise shall be filled by the City Council. A Director may resign at any time. Such resignation shall be made in writing, addressed to the Mayor and the City Secretary, with a copy to the Board, and shall take effect at the time specified therein, or if no time is specified, at the time of its receipt by the City Secretary. If a vacancy occurs within a term, the appointment will be for the unexpired term of the vacated position.

## **SECTION 3. MEETINGS**

The Board will meet in a public place, and on a day and time as set forth by the President at a minimum of no less than each three (3) calendar months of each fiscal year. The President, or upon the President's incapacity, the Vice-President, may call special meetings of the Board of Directors at such time as may be required.

## **SECTION 4. QUORUM**

A quorum shall consist of a majority of the non-vacant Board positions, which shall be present for the conduct of the official business of the District. The act of a majority of the Directors at a meeting at which a quorum is in attendance shall constitute an action of the Board and of the District.

## **SECTION 5. COMPENSATION OF DIRECTORS**

The Directors, including Officers shall not receive any salary or compensation for their services, however, Directors may, with prior approval of the Board, be reimbursed for their actual expenses incurred in the performance of their duties hereunder, including but not limited to the cost of travel, lodging and incidental expenses reasonably related to the duties of the Board. Travel expenses incurred by Directors for both regular and special meetings are not eligible for reimbursement.

# **ARTICLE III OFFICERS**

## **SECTION 1. TITLES AND TERM OF OFFICE**

The Board of Directors shall choose from its members a President, Vice-President, Secretary and a Treasurer. The President, Vice-President, Secretary and Treasurer shall be elected by the Board of Directors by a majority vote of a quorum of the members at the first meeting held after the annual appointment of Board members by the Fair Oaks Ranch City Council.

## **SECTION 2. POWERS AND DUTIES OF THE PRESIDENT**

The President shall be the Chief Executive Officer of the District, and shall, subject to the authority of the Board, preside at all meetings of the Board, and absent any different

designation by the majority of the Board, shall sign and execute all contracts, conveyances, franchises, bonds in the name of the District. In addition, the President shall:

- A. Call both regular and special meetings of the Board and establish the agenda for such;
- B. Have the right to vote on all matters coming before the Board;
- C. Have the authority to appoint standing or study committees to aid and assist the Board in its business undertaking or other matters incidental to the operation and functions of the Board.
- D. Perform all duties incident to the office, and such other duties as shall be prescribed from time to time by the Board.
- E. Appear before the City Council, or be represented by a designee, periodically to give a report on the status of the activities of the District; and
- F. Appear before the City Council, or be represented by a designee, regarding any item being considered by the City Council concerning the District.

### **SECTION 3. VICE-PRESIDENT**

The Vice-President shall exercise the powers of the President during that officer's absence, Inability to act or expired term before the election of a new President. The Vice-President shall perform other duties as from time to time may be assigned by the President or the Board.

### **SECTION 4. SECRETARY**

The Secretary shall ensure that: the minutes of the Board and Its committees are recorded and retained as records of the District, all notices posted and served as required by law, the books, records and all documents and instruments are open to public inspection upon application at the office of the District during business hours. The Secretary shall attest the signature of the President or any other officer of the District.

### **SECTION 5. TREASURER**

The Treasurer shall have the responsibility to ensure the proper handling, custody and security of all funds and securities of the District. The Treasurer may be required, at the expense of the District to give such bond for the faithful discharge of the duties in such form and amount as the Board may require by resolution. The Treasurer shall provide for financial reports of the District's activities in accordance with all statutory and MDD policy requirements. The Treasurer shall ensure compliance with the requirements under Article IV. Section 1: Annual Budget, and Section 2. Financial Books, Records, Audits.

## **SECTION 6. CONFLICT OF INTEREST**

The members of the Board of Directors shall be considered local public officials within the meaning of Chapter 171 of the Texas Local Government Code. If a Director has a substantial interest, as that term is defined in said Chapter, in a business entity or real property which is the subject of deliberation by the Board of Directors, the Director shall file an affidavit with the Secretary of the District stating the nature or extent of the interest. Such affidavit shall be filed prior to any vote or decision upon the matter of the Board of Directors, and if required by said Chapter, the interested Director shall abstain from any vote or decision upon the matter.

## **SECTION 7. IMPLIED DUTIES**

The District is authorized to take such actions as it may deem reasonable or necessary to accomplish any of the purposes or duties set out in these Rules of Procedure in accordance with the Act and any other applicable law.

# **ARTICLE IV FUNCTIONAL DUTIES AND RESPONSIBILITIES GENERAL ECONOMIC DEVELOPMENT PLAN**

The District may research, develop and prepare any Economic Development Plan for the City, which shall include proposed methods and the expected costs of implementation. The Plan shall include both short- term and long-term goals for the economic development of the City, proposed methods for the elimination of unemployment and under-employment, and the promotion of employment, through the expansion and development of a sound, retail and commercial base for and within the City. The District shall review and update the Plan each year prior to submission of the annual budget required by other provisions of these Rules of Procedure.

## **SECTION 1. ANNUAL BUDGET**

On or before July 15th of each year the Treasurer shall prepare and present a proposed budget of expected revenues and proposed expenditure for the next ensuing fiscal year to the Board. The fiscal year of the District shall commence on October 1st of each year and end on September 30th. The Budget shall be approved by the Fair Oaks Ranch City Council no later than the Council's last September Council Meeting.

## **SECTION 2. FINANCIAL BOOKS, RECORDS, AUDITS**

The Treasurer shall keep and properly maintain, in accordance with generally accepted accounting principles, complete financial books, records, accounts and financial statements pertaining to its funds, activities and affairs.

The District's financial books, records, accounts, and financial statements shall be audited at least once each fiscal year by an outside, independent auditing and accounting firm selected by the District. Such audit shall be at the expense of the District.

A copy of the final audit shall be filed with the City Secretary of the City of Fair Oaks Ranch no later than March 30th of the following fiscal year for which the audit is performed for.

## **ARTICLE V MISCELLANEOUS PROVISIONS**

### **SECTION 1. INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES**

As provided in the Act, the District is for the purpose of the Texas Tort Claims Act (Subchapter A, Chapter 101, Texas Civil Practices and Remedies Code), a governmental unit, and its actions are governmental functions. The District shall indemnify each and every member of the Board, its officers and its employees to the fullest extent permitted by law against any and all liability or expense, including attorney fees, incurred by any of such person by reason of any actions or omissions that may arise out of the functions and activities of the District. The indemnity shall apply even if one or more of those to be indemnified was negligent or caused or contributed to cause any loss, claim, action, or suit.

Specifically, it is the intent of these Rules of Procedure and the District to require the District to indemnify those named for indemnification, even for the consequences of the negligence of those indemnified which caused or contributed to cause any liability.

The District shall purchase and maintain insurance on behalf of any Director, Officer, employee or agent of the District, or on behalf of any person serving at the request of the District as a Board member, officer, employee or agent of another District, partnership, joint venture, trust or other enterprise, against any liability asserted against that person and incurred by that person in any such capacity or arising out of any such status with regard to the District, whether or not the District has the power to indemnify that person against liability for any of those acts.

### **SECTION 2. GIFTS**

The Board may accept on behalf of the District any contribution, gift, bequest or device for the general purposes of the District.

### **SECTION 3. AMENDMENTS TO RULES OF PROCEDURE**

The Board's Rules of Procedure may be amended or repealed, and new Rules of Procedure may be adopted by any affirmative vote of Five (5) of the authorized Directors serving on the Board.

**SECTION 4. EFFECTIVE DATE**

These Rules of Procedure and any subsequent amendments hereto, shall be effective as of and from the date on which approval has been given by the Board of Directors of the Fair Oaks Ranch Municipal Development District.

I certify that I am the duly elected President of the Fair Oaks Ranch Municipal Development District, and these Rules of Procedure were duly adopted at the meeting of the Board of Directors held on April 9, 2025 and do constitute the Rules of Procedure of the District.

President of the District \_\_\_\_\_  
Laura Koerner

Signed this 9th day of April, 2025.

ATTEST:

Secretary of the District \_\_\_\_\_  
Keith Rhoden

## **FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT FINANCIAL MANAGEMENT POLICY**

- Resolution 2013-01 (November 7, 2013)
- Resolution 2017-01 (April 10, 2017) Appendix A to the District's Financial Management Policy
- Changes approved at the January 12, 2022 MDD Regular Meeting. Changes ratified by:
- Resolution 2022-01 (April 13, 2022)
- Resolution 2022-03 (October 12, 2022) Adding Subsection G to Section VI., Expenditure Control
- Resolution 2024-01 (October 9, 2024) Adopting Amended Investment Policy

October 9, 2024

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## I. PURPOSE STATEMENT

These policies are developed by the Municipal Development District Board to guide the Board in financial matters. The overriding goal of the Financial Management Policy is to enable the District to achieve a long-term stable and positive financial condition while conducting its operations consistent with state laws. The watchwords of the District's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.

The purpose of the Financial Management Policy is to provide guidelines for the District in planning and directing the Board's financial affairs.

The scope of these policies span accounting, investments, auditing, financial reporting, internal controls, budgeting, capital program including capitalization, revenue and cash management, expenditure control, debt management, and identity theft prevention.

## II. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

- A. **ACCOUNTING** - The Board will establish the chart of accounts and will properly record and report financial activity.
- B. **FUNDS** - Self-balancing groups of accounts are used to account for financial transactions in accordance with generally accepted accounting principles. Each fund is created for a specific purpose. Funds are created and fund names are changed by Board approval either during the year or in the Board's approval of the annual operating budget.
- C. **EXTERNAL AUDITING** - The District's financial statements will be audited annually by an outside independent auditor who will conduct the District's audit in accordance with generally accepted auditing standards, generally accepted government auditing standards and contractual requirements.
- D. **EXTERNAL AUDITORS RESPONSIBLE TO BOARD** - The external auditor is accountable to the Board and will have access to direct communication with the Board.
- E. **EXTERNAL AUDITOR ROTATION** - The District will not require external auditor rotation, but may circulate requests for proposal for audit services, periodically.
- F. **INTERNAL CONTROLS** - The Board is responsible for ensuring a strong internal controls environment.

## III. OPERATING BUDGET

- A. **PREPARATION** - The District's operating budget is the District's annual financial operating plan and the Board Treasurer is the Budget Officer. No later than July of each year, the Budget is submitted to the Board for changes prior to approval. Prior to the budget's fiscal year, the Budget must be approved by the Fair Oaks Ranch City Council.
- B. **REPORTING** - Periodic financial reports will be prepared in conformance with pertinent statutes, regulations and policies of the Board. Financial reports will be presented to the Board at each of its regularly called meetings and include current year revenue and expenditures and fund balances.
- C. **CONTROL** - Operating Expenditure Control is addressed in Section VI.
- D. **RECORD KEEPING** - All permanent historical budget documents will be filed with the Fair Oaks Ranch City Secretary for record keeping pursuant to State law and District resolution).

#### IV. FUND BALANCE / POLICY

- A. Fund balance shall mean the gross difference between fund assets and liabilities reflected on the balance sheet. The District shall report fund balances per GASB54 definitions on the balance sheet as follows:
1. *Non-spendable* – Portion of total fund balance that is not in spendable form or required to be maintained intact. Example: Prepaids.
  2. *Restricted* – Portion of total fund balance constrained for specific purposes by such grantors, bondholders, higher level of government or by law.
  3. *Committed* – Portion of total fund balance constrained to specific purposes and amounts by the Board. Only the Board can release committed funds. Example: Grants awarded by the District.
  4. *Assigned* – Portion of total fund balance the Board designates for specific purposes as expressed by the Board. Example: Infrastructure Improvements.
  5. *Unassigned* – Portion of total fund balance not identified in one of the above categories.
- B. The fund balance will be managed carefully and used wisely by the Board.

#### V. REVENUE MANAGEMENT

- A. **SIMPLICITY** - The District will rely on local sales tax as its main source of recurring revenue.
- B. **ADMINISTRATION** - The benefits of a revenue will exceed the cost of producing the revenue. The cost of collection will be reviewed as appropriate for cost effectiveness as a part of the indirect cost, and cost of services analysis.
- C. **INTEREST INCOME** - Interest earned from investment of available monies, whether pooled or not, will be distributed to the funds in accordance with the operating budgets which, wherever possible, will be in accordance with the equity balance of the fund from which monies were provided to be invested.
- D. **REVENUE MONITORING** - Revenues actually received will be regularly compared to budgeted revenues and variances will be investigated.

#### VI. EXPENDITURE CONTROL

- A. **APPROPRIATIONS** - Budget adjustments must be approved by the Board and City Council.
- B. **PURCHASING** - The District will pay from receipts, invoices and disbursement vouchers that have the approval of the Board President, date of approval, total dollar amount (excluding tax), and general ledger account code. The President can authorize up to \$2,000 in addition to annual and District approved contracts, recurring charges, and approved budgetary items. All other disbursements exceeding \$2,000 require Board approval.
- C. **PROFESSIONAL SERVICES** - Professional services will be processed through a request for qualifications as defined by the Texas local government code. The Board President may execute any professional services contract, except for insurance, less than \$25,000 provided there is an appropriation for such contract.

- D. **ADMINISTRATIVE CHARGES** – An Interlocal Agreement with the City will be maintained whereby the District will pay a management fee to the City of Fair Oaks Ranch for administrative costs performed on the District’s behalf.
- E. **PROMPT PAYMENT** - All invoices will be paid 30 days of receipt in accordance with the prompt payment requirements of State law. Procedures will be used to take advantage of all purchase discounts where considered cost effective. However, payments will also be reasonably delayed to maximize the District’s investable cash, where such delay does not violate the agreed upon payment terms.
- F. **REIMBURSEMENTS** - The policy of the District is that employees/board members are to be reimbursed for necessary and reasonable district-related expenses incurred in the authorized conduct of business. All requests for reimbursement of expenses are subject to requirements of documentation and reasonableness, and will be honored in conformance with adopted policies, provided that the expenditure was properly authorized. See Appendix C for complete details.
- G. **DISBURSEMENT OF GRANT AWARDS** - All grant awards must comply with the Texas Local Government Code Chapter 377, and MDD policies and procedures. The requirements for the release of grant funds and grant award amount must be defined in a grant award agreement between the MDD Board and the project owner. The grant award agreement must conform to the MDD Policy for Evaluation of Development Projects. Disbursements of grant funds will be made after the project requirements are completed in accordance with the requirements set forth in the grant award agreement. On a case-by-case basis, the MDD Board may approve advance funding of a grant award by an affirmative vote of three fourths of Board members present and qualified to vote. The requirements for the advance funding arrangements must be included in the grant award agreement and should specifically address the incremental risks associated with advance funding.

## VII. ASSET MANAGEMENT

- A. **INVESTMENTS** - Investments will be conducted in accordance with the Investment Policy attached as Appendix A.
- B. **CASH MANAGEMENT** - The District’s cash flow will be managed to maximize the cash available to invest.
- C. **FIXED ASSETS AND INVENTORY** - The assets will be reasonably safeguarded and properly accounted for.
- D. **CAPITALIZATION OF CAPITAL ASSETS** - The capitalization of capital assets will be conducted in accordance with the Capitalization of Capital Assets Policy attached as Appendix B.

## VIII. FINANCIAL CONDITION / DEBT MANAGEMENT

- A. **NO OPERATING DEFICITS** - Current operating expenditures will be paid with current operating revenues.
- B. **GENERAL** - The District’s borrowing practices, including issuing bonds, will be conducted in accordance with state law and the Board’s Rules of Procedure.
- C. **ANALYSIS OF FINANCING ALTERNATIVES** - The District will explore other financing alternatives in addition to long-term debt including leasing, grants and other aid, developer contributions, and use of reserves or current monies.

**IX. ANNUAL REVIEW**

- A. The Financial Management Policy will be reviewed bi-annually or as needed by the Board President and Treasurer. Recommended amendments will be presented to the Board for approval.
- B. The Board, pursuant to Government Code §2256.005, shall adopt, annually, a resolution stating the Investment Policy has been reviewed and, record any changes made thereof.

**Appendix A****INVESTMENT POLICY****I. Policy**

It is the policy of the City of Fair Oaks Ranch Municipal Development District (the “District”) to invest funds in a manner which will provide the highest, reasonable investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all federal, state, and local statutes governing the investment of public funds. It is also the policy of the District that the administration of its funds and the investment of those funds shall be handled as its highest public trust.

**II. Purpose**

The purpose of this policy is to comply with the Texas Government Code, Chapter 2256, the Public Funds Investment Act (the “Act”), and Texas Government Code, Chapter 2257, the Public Funds Collateral Act, which requires the adoption of a written investment policy regarding the investment of funds. The investment policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the District’s funds.

**III. Scope**

This investment policy applies to all financial assets and funds of the District. Funds are defined in the District’s audited Annual Financial Report. Funds are created by the Board unless specifically exempted by the Board and this policy.

Investments are being pooled into a pooled group fund that consists of balances from the District’s funds. The strategy of pooling investments is subject to change as deemed appropriate by the Investment Officer, and subject to the provisions of this Policy.

**IV. General Objectives**

The primary objectives, in priority order, of the District’s investment activities shall be safety, liquidity, diversification, and yield.

**Safety** - Safety of the principal is the foremost objective of the District. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio guarding against security defaults or erosion of market value.

**Liquidity** - The investment portfolio will remain sufficiently liquid to meet all operating requirements which might be reasonably anticipated. To the extent possible, this will be achieved by matching investment maturities with forecasted cash flow liabilities and maintaining additional liquidity for unexpected liabilities.

**Diversification** - Diversification of the portfolio will include diversification by maturity and market sector to manage market risk.

**Yield** - The investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the investment risk constraints and liquidity needs. Market rate of return may be defined as the average yield of the current six-month US Treasury Bill. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

Effective cash management is recognized as essential to good fiscal management. Cash Management is defined as the process of managing monies in order to ensure maximum cash availability. The District will effectively collect account receivables, practice prudent investment of its available cash, disburse payments in accordance with invoice terms and manage banking services.

## V. Standards of Care

**Prudence** - The standard of prudence to be used by investing officials shall be the "prudent person" rule and shall be applied in the context of managing the District's overall portfolio with the objectives and priority of preservation of safety of principal, liquidity, and yield. This rule states

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived." Prudence of an investment officer's decisions shall be exercised and measured by considering the investment of all funds under the District's authority, which the investment officer had a responsibility, rather than a consideration to the prudence of a single investment, and whether the investment decision was consistent with the written investment policy.

**Limitation of Personal Liability** - Investment officials acting in accordance with this policy and in accord with the Prudent Person Rule shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change is reported in a timely fashion and the appropriate action is taken to control unfavorable developments.

## VI. Delegation of Authority and Responsibilities

**Delegation of Authority** - The Board of Directors will appoint an Investment Officer. Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with established procedures and internal controls for the operation of the investment program consistent with this investment policy. The Investment Officer shall be responsible for all investment transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. No person may engage in an investment transaction except as provided under the terms of this policy and established written procedures.

**Training** In accordance with the Act, Investment Officials shall attend ongoing trainings from an independent source authorized to provide PFIA certification. Investment Officials (an Investment Committee made up of the President, Treasurer and Investment Officer) must complete at least 10 hours of investment training within 12 months of taking office or assuming duties, and shall attend a PFIA certified investment training course not less than once in a two-year fiscal period receiving no less than 10 hours of instruction relating to investment controls, security risks, strategy risks, market risk, diversification, and compliance.

**Ethics and Conflicts of Interest** - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions that conduct business with the District. An investment official who has a personal business relationship with an organization seeking to sell an investment to the District shall file a statement disclosing that personal business interest. An investment official who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the District shall file a statement disclosing the relationship. A statement required under this subsection must be filed with the Texas Ethics Commission. **Board of Directors Responsibilities** – The Board of Directors hold ultimate fiduciary responsibility for the investment portfolio. The Board of Directors will appoint an investment officer, review quarterly reporting, approve authorized broker/dealers, and annually review and adopt the Investment Policy by Resolution.

## VII. Internal Controls

The Board President and Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse.

The internal control shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived and (b) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall focus on the following points:

- Separation of duties to prevent collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Clear delegation of authority
- Documentation of transactions

The District's Investment Officer shall perform an internal compliance audit of management controls on investments and adherence to investment policies in conjunction with the annual financial audit.

### **VIII. Safekeeping and Custody**

**Safekeeping** – All securities purchased by the District under this Policy, excluding Investment Pools and Mutual Funds, shall be settled on a delivery versus payment basis and held in safekeeping by an independent third-party financial institution approved by the District. All safekeeping arrangements will be approved by the Investment Officer and an agreement of the terms executed in writing. The safekeeping institution shall be required to issue safekeeping receipts to the District including all pertinent information for each security and clearly indicating the ownership by or pledge to the District.

**Authorized Financial Dealers and Institutions** - The Investment Officer will maintain a list of financial institutions and security broker/dealers authorized to provide investment/depository services. The list of qualified brokers/dealers shall be reviewed and adopted annually by the Board of Directors as part of the investment policy resolution. All authorized brokers/dealers will be provided with a copy of our investment policy and have a qualified representative sign a policy certification stating they have (1) read and reviewed the policy and (2) have implemented reasonable procedures and controls in an effort to prevent unauthorized investment transactions not authorized by this Policy, except to the extent that this authorization is dependent on an analysis makeup of the District's entire portfolio or requires an interpretation of subjective investment standards. A broker may be removed from eligible status, without notice, at the District's sole discretion.

Those firms that request to become qualified bidders for securities transactions must provide one or more of the following as applicable:

- Proof of Financial Industry Regulatory Authority (FINRA) certification and FINRA's Central Depository Registration (CRD) number
- Proof of Texas State Securities registration
- Annual audited financial statements,
- Proof of National Association of Security Dealers certification,
- Trading resolution

Each pool the District participates will be provided a copy of the District's current investment policy and have a qualified representative sign a compliance certification stating that they have (1) read and reviewed the policy and (2) have implemented reasonable procedures and controls to preclude unauthorized investment transactions in the entity's investment policy, except to the extent authorization is dependent on an analysis makeup of the District's entire portfolio, requires an interpretation of subjective investment standards.

The Investment Officer of the District may not use any dealer or institution which has not met the requirements above.

**Investment Management Firms** – The District may, at the Board of Director’s approval, contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for investment and management of its public funds or funds under its control. This contract term shall be a maximum of 2 years with renewal or extensions subject to approval by the Board of Directors by resolution.

**Depository Agreement** - At least every five (5) years, a primary services depository shall be selected by the District through a competitive request for proposal (RFP) or bid process in accordance with Section 105 of the Texas Government Code. In selecting this depository, the services, cost of services, credit worthiness, earnings potential, and collateralization by the institutions shall be considered. This institution shall be used for normal banking services including disbursements, collections, and safekeeping. Other banking institutions from which the District may purchase certificates of deposit will also be designated as a depository and must execute a written agreement in accordance with the provisions of this Policy if collateral is required.

**Delivery vs Payment** - All trades except for investment pools and mutual funds will be executed by delivery vs payment to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities and collateral will be held in the District’s name by a third-party custodian as evidenced by safekeeping receipts of the institution with which the securities are deposited.

**Competitive Bidding** – All investment transactions, excluding market mutual funds, local government investment pools and securities made at prevailing market rates, shall be made on a competitive basis to assure that the District is receiving fair market prices. Bids, of at least three competitive offers, may be orally, in writing, electronically, or in any combination of those methods.

**Monitoring Credit Ratings** – The Investment Officer shall monitor the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by the Policy, the Investment Officer will notify the Board President of the loss or rating immediately and make a recommendation as to the conditions affecting the rating and possible loss of principal with available liquidation options.

**Monitoring Insurance Status** – The Investment Officer shall monitor the status and ownership of all banks issuing brokered CDs owned by the District based upon information from the FDIC / NCUA / SIPA. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer will immediately liquidate any brokered certificate of deposit which placed the District above the FDIC / NCUA / SIPA insurance level.

## **IX. Authorized and Suitable Investments**

**Eligible Investments** - Assets of the District may be invested in the following instruments as authorized by the Public Funds Investment Act (Section 2256). Only those instruments listed in this section are authorized and will be used as needed to maintain an appropriate diversified portfolio. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. Prudent measures will be taken to liquidate any investment that drop below the required minimum rating in accordance with the District’s policy.

- a. Local Government Investment Pools which meets the requirements of Chapters 2256.016-2256.019 of the Public Funds Act which include being rated no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service and strive to maintain a \$1 net asset value.
- b. Obligations of the United States or its agencies and instrumentalities, excluding mortgage-

backed securities.

- c. Certificates of Deposit CDs issued by a depository institution that has its main office or a branch in Texas. The CD must be guaranteed or fully insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and secured by obligations and collateralized in a manner and amount as provided by law.
- d. Brokered Certificates of Deposit issued by one or more federally insured depository institutions, wherever located within the United States, delivered versus payment to the District's safekeeping agent. The CD must be guaranteed or fully insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor and secured by obligations and collateralized in a manner and amount as provided by law. Before purchase, the Investment Officer must verify the FDIC/NCUA status of the bank to assure the bank is FDIC/NCUA insured.
- e. No-load Money Market Mutual Funds that comply with SEC Rule 2a-7 and 1) are registered and regulated by the Securities and Exchange Commission and provides a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, seek to maintain a net asset value of \$1 per share, and 43) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

**Existing Investments** – The District is not required to liquidate investments which were authorized investments at the time of purchase under the Public Funds Investment Act (Section 2256.017).

**Collateralization** - Collateralization will be required on all funds on time and demand deposits with a depository bank, other than investments, above the FDIC coverage by pledged collateral. To anticipate market changes and provide a level of security, the collateralization level will be not less than one hundred two percent (102%) of market value of principal and accrued interest. All collateral must be pledged to the District and shall be held by an independent third-party institution approved by the District outside the holding company of the pledging bank. A depository/collateral agreement shall be executed between the District, district depository, and custodian. The pledging institution will monitor and maintain the margins daily. The custodian will provide a monthly report of collateral pledged to the District.

Authorized Collateral - Only securities prescribed as eligible investments under the Public Funds Investment Act qualify as pledged securities and are limited by the District as appropriate.

## **X. Investment Parameters**

**Diversification** - See Section IV; General Objectives

**Maximum Maturities** - To the extent possible, the District shall attempt to match its investments with anticipated cash flow requirements. The average dollar-weighted maturity of an individual investment of the District's portfolio shall not exceed one (1) year. The maximum allowable maturity of an individual investment shall be no more than two (2) years.

## **XI. Performance Standards**

The investment portfolio shall be managed in accordance with the objectives specified in this policy (safety, liquidity, diversification, and yield). The District shall pursue a conservative buy-and-hold portfolio and swaps will be prohibited. However, securities may be sold before they mature if market conditions present an opportunity for the District to benefit from the trade. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. As the benchmark, the Investment Officer shall determine whether market yields are being achieved by comparing the portfolio market yield to the three (3) month U.S. Treasury Bill, the six (6) month U.S. Treasury Bill and the two (2) year U.S. Treasury Note.

## **XII. Investment Strategies**

The District may maintain separate portfolios, or one commingled portfolio for individual funds that are managed according to the terms of this Policy. Investments may be pooled or invested for the benefit of one or more funds. If pooled, principal and interest income is distributed to each respective fund on a pro rata basis. Whether investments are pooled or invested separately is decided by the Investment Officer based upon which method is most beneficial to the District for the investment strategies established. The investment strategy for portfolios established after the annual Investment Policy review and adoption will be managed to ensure that it will meet all the requirements established by the District's investment policy and the Public Funds Investment Act.

The District's portfolio is maintained to meet anticipated cash needs for operations, capital projects and debt service. In order to ensure the ability to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the investment portfolio shall not exceed one (1) year. The objectives of this portfolio are to ensure safety of principal; ensure adequate investment liquidity; limit market and credit risk through diversification; and attain the best feasible yield in accordance with the objectives and restrictions set for in this Policy.

## **XIII. Reporting Methods**

As required by Government Code 2256.023, on a quarterly basis, the Investment Officer shall prepare and submit to the Board, a written report for the preceding quarter in accordance with the Public Funds Investment Act. The report will include the following, at a minimum:

- A description of the Investment position of the District on the date of the report.
- A summary statement for each pooled fund group stating the beginning market value for the period, additions and changes to the market value during the period, and the ending market value for the period, and any fully accrued interest.
- Book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested.
- Maturity date of each separately invested asset that has a maturity date.
- Account or fund or pooled group fund of the District for which each individual investment was acquired.
- Statement of compliance of the investment portfolio of the District with the Act and Investment Policy.

Market prices for market value calculation of the investment portfolio will be calculated quarterly by independent sources.

If the District invests in any investments other than money market mutual funds, investment pools, or depository bank investment accounts then the District's internal controls and quarterly reports shall be reviewed by the District's independent auditor during the annual audit process.

## **XIV. Investment Policy Adoption**

The Investment Policy shall be adopted by Resolution as part of the Financial Management Policies. The policy shall be reviewed and adopted by Resolution annually by the Board of Directors.

## List of Qualified Brokers/Dealers

|                                                                                                                                                 |                                                                                                           |                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| <u>Frost Bank</u><br><u>111 W. Houston Street</u><br><u>San Antonio, TX 78205</u>                                                               | <u>Manuel Long</u><br><u>Vice President - Public Finance</u><br><u>manuel.long@frostbank.com</u>          | <u>(210) 220-5372</u><br><u>(210) 262-9081 C</u> |
| <u>Frost Bank Securities</u><br><u>111 W. Houston Street</u><br><u>San Antonio, TX 78205</u>                                                    | <u>Eileen Slater</u><br><u>Sr. Vice President - Capital Markets</u><br><u>eileen.slater@frostbank.com</u> | <u>(210) 220-5546</u><br><u>(210) 404-8815 C</u> |
| <u>TexPool Participant Services</u><br><u>1001 Texas Avenue</u><br><u>Suite 1150</u><br><u>Houston, TX 77002</u>                                | <u>Denise Hamala</u><br><u>Unit Manager</u><br><u>denise.hamala@FederatedHermes.com</u>                   | <u>(866) 839-7665</u>                            |
| <u>Texas CLASS</u><br><u>6907 Shavelson St.</u><br><u>Houston, TX 77055</u>                                                                     | <u>Zach Brewer</u><br><u>Director - Investment Services</u><br><u>zach.brewer@texasclass.com</u>          | <u>(281) 642-4350</u>                            |
| <u>Hilltop Securities Inc.</u><br><u>1201 Elm Street</u><br><u>Suite 3500</u><br><u>Dallas, TX 75270</u>                                        | <u>Gilbert Ramon</u><br><u>Vice President</u><br><u>gilbert.ramon@hilltopsecurities.com</u>               | <u>(713) 654-8606</u><br><u>(713) 724-4178 C</u> |
| <u>UBS Financial Services, Inc.</u><br><u>1780 Hughes Landing Blvd.</u><br><u>3 Hughes Landing, Suite 200</u><br><u>The Woodlands, TX 77380</u> | <u>Richard Ebert</u><br><u>First Vice President - Wealth Management</u><br><u>richard.ebert@ubs.com</u>   | <u>(281) 362-6340</u>                            |
| <u>Stifel, Nicolaus &amp; Company, Inc.</u><br><u>2107 Elliott Avenue</u><br><u>Suite 208</u><br><u>Seattle, WA 98121</u>                       | <u>Josh Gorham</u><br><u>Managing Director</u><br><u>gorhamj@stifel.com</u>                               | <u>(206) 443-7260</u><br><u>(206) 963-1280 C</u> |

**Appendix B****CAPITALIZATION POLICY FOR CAPITAL ASSETS**

The purpose of this policy is to establish a capitalization policy for auditing purposes and, to set standards of accounting for City of Fair Oaks Ranch Municipal Development District according to Government Accounting Standards Board Statement 34 (and subsequent relevant guidance) with regard to categories and threshold amounts to be capitalized.

**SECTION 1.** Capital assets categories and thresholds are:

|                                 |            |
|---------------------------------|------------|
| Land/land improvement           | Any amount |
| Buildings/building improvements | \$25,000   |
| Infrastructure                  | \$25,000   |
| Personal property               | \$ 5,000   |
| Leasehold improvements          | \$25,000   |

**SECTION 2.** For clarification purposes the above items are generally defined as, but not expressly limited to the following definitions:

Land is the purchase price or fair market value at time of gift, any commissions, professional fees, land excavation, fill, grading, drainage, demolition of existing building (less salvage), property removal (relocation or reconstruction) of others (railroad, telephone, and power lines), date of purchase accrued mortgage interest and any unpaid taxes and right of way cost. Land improvements are considered to be fencing, landscaping structure(s), parking lots, driveway, recreation areas, septic systems, and pavilions.

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls. A building improvement must extend the life of the building or increase the value of the building. Examples of capitalized building improvements are structural changes & installation or upgrade of roofing, heating & cooling systems, electrical, etc.

Infrastructure is usually considered stationary and can be preserved for a significantly greater number years than most capital assets. They are often linear and continuous in nature. Infrastructure improvements should extend the useful life and /or increase the value by 25% of the original cost or life period. Examples of infrastructure are streets, curbs, gutters, sidewalks, fire hydrants, bridges, dam, drainage facility, radio tower, water main and distribution lines, light systems and signage.

Personal property is fixed or movable tangible assets to be used for operations that has a life beyond one year. Examples of personal property are vehicles, other motor vehicles, furnishings & equipment.

Leasehold improvements are the construction of new buildings or improvements made to existing structures by the lessee, who has the right to use these leasehold improvements over the term of the lease.

## **REIMBURSEMENTS**

### **GENERAL POLICY**

Travel expenses will be reimbursed for travel within the continental United States only. Reimbursement is based upon the most economical conveyance that is reasonably available. In some cases, the District may prepay such expenses as registration fees, hotel costs, and/or airline or other public transportation costs directly to the entity involved.

### **PROFESSIONAL MEMBERSHIPS AND SEMINARS**

Subject to the approval of the Board, membership to a professional association related to the District will be reimbursed for dues. Necessary travel expenses for meetings, conferences, or seminars judged to offer special training or information of value to the attendee, and if the meeting, conference or seminar is related to the District, reimbursement of authorized expenses will be made.

### **TRAVEL AUTHORIZATION AND REIMBURSABLE EXPENSES**

In and out of state travel is permissible provided that it is authorized in advance by the Board President and does not exceed budgetary limitations.

Travel. Necessary and authorized travel expenditures in the conduct of business will be reimbursed for actual costs of reasonable and documented expenses (furnished receipts). Reimbursable expenses will be for food, registration, lodging, parking, tolls, transportation, and reasonable gratuities. Conference registration checks will be made payable only to the organization sponsoring the conference. When private automobiles are used, reimbursement is allowed on the basis of actual mileage traveled at the prevailing federal per-mile rate for business use of a personal vehicle as noted by the Internal Revenue Service.

Overnight Travel. When travel is required for more than one consecutive day, thereby spending the night, hotel cost, and transportation will be submitted for reimbursement based on reasonableness of the expense and subject to the approval of the Board President. The District pays the single standard room hotel rate only. Parking and meals will be paid based on presentation of receipts and within a reasonable cost.

Expense Report. Within five days of the date the authorized travel was concluded, the attendee shall complete an expense report documenting actual expenses incurred on the trip which were not prepaid directly by the District to the entity involved. A reimbursement check will be issued as approved by the Board President.

### **USE OF PERSONAL VEHICLE**

Use of a personal vehicle is authorized when on official District business as determined by the Board President. Reimbursement will be for actual miles driven, as documented at the prevailing federal per-mile rate for business use of a personal vehicle as noted by the Internal Revenue Service. The shortest distance between points of departure and destinations for travel by personal vehicle is to be reported.

### **OTHER EXPENSES**

Other incidental expenses are governed under the terms defined in Section VI. B. of this document.

### **LIMITATIONS**

Costs of personal entertainment, amusements, social activities, spouse's or others' expenses, alcoholic beverages, traffic citations, or illegal activities are not reimbursable.

The District reserves the right to limit the availability of education/training reimbursement due to budgetary or other reasons.

# **Fair Oaks Ranch Municipal Development District Policy For Evaluation Of Development Projects**

Approved on April 10, 2024

# Fair Oaks Ranch Municipal Development District

## Policy For Evaluation Of Development Projects

### Policy Statement

#### Purpose

The purpose of the Policy for Evaluation of Development Projects is to establish an objective and consistent process for evaluating proposed development projects to ensure that Fair Oaks Ranch Municipal Development District (MDD) Board (the Board) project grant awards are in compliance with legal and policy requirements and provide enduring value for Fair Oaks Ranch.

#### Policy Statement

It is the policy of the Board that evaluation, approval, and funding of development project grants will be conducted in accordance with approved guidelines established by the Board.

#### Process Framework

A development project evaluation process will be established through guidelines approved by Board to ensure that development project grant proposals are consistently and objectively evaluated. The overall framework for the guidelines will include the following:

1. Each proposed development project grant will be evaluated to determine merit for funding based on the MDD Board's assessment of eligibility and quality.
2. To assess eligibility of proposed development project grants, the Board will establish a Eligible Project Category (*Appendix A*) to describe the types of projects that are qualified for MDD funding consideration. The information on the Eligible Project Category (*Appendix A*) may be modified at the discretion of the Board. Items may be placed on the Eligible Project Category (*Appendix A*) by the MDD Board based on the following criteria:
  - 2.1. Compliance with relevant statutes and City ordinances & codes
  - 2.2. Alignment with MDD Board's mission, goals & objectives
3. The Board will establish Project Application & Evaluation Guidelines (*Appendix B*) to evaluate eligible development project grant proposals in an objective and consistent method. The Project Application & Evaluation Guidelines may be modified at the discretion of the Board.

#### Process Implementation and Review

1. The MDD Board Treasurer is responsible for implementing and managing the evaluation process (*Appendices A and B*) and reporting results to the Board
2. Any member of the Board may propose changes to the evaluation process, but action of the Board is required to make a material change to the evaluation process and associated guidelines.
3. The Board will review this policy and associated guidelines (*Appendices A and B*), as deemed necessary, but no less often than once every two years, and will take action to reaffirm, modify or replace the policy or guidelines.

**Appendix A**

**MDD Eligible Project Category**

The MDD will consider development projects as allowed and defined by Local Government Code Chapter 377; and Chapters 505.151-158.

## **Appendix B**

### **Project Application and Evaluation Guidelines**

#### **1. Project Application Guidelines**

##### **1.1. Project Scoring Dimensions**

For each proposed project, information & documentation should be collected and analyzed to gain satisfaction that the project is eligible for funding based on reasonably satisfying the requirements under each of the following dimensions:

- Compliance: MDD statutory constraints; City ordinances & codes
- Fit to FOR MDD mission, goals & objectives
- Economic and/or quality of life benefits: extent & duration
- Project quality: counterparty qualifications, project delivery risk and ongoing operations risk

##### **1.2. Application Submittals**

The required information & documentation may be satisfied via the following means:

- The required type and extent of information required may be submitted using an application form provided by the MDD or a grant proposal submitted by the applicant.
- Additional information required to assess an application may be requested from the applicant via a direct request from the designated MDD representative.
- Additional information required to make a final decision could be requested via a direct request from the MDD Board to the applicant.

##### **1.3. Applicant Contact & Background Information**

- Names and contact information for the natural person and/or entities that will have primary responsibility for delivery of the project and outcomes/ongoing benefits.
- If applicant is an entity, names and contact information for all principals who will have a significant role in the project.
- Legal form of entity
- Primary area of business activity
- Single point of contact for communication regarding application
- Resume: Applicant experience relevant to ability and capacity to deliver on project commitments

##### **1.4. Project Contact Information**

- Project site physical address
- Name of owner of project site property
- Site Owner's physical mail address, telephone number and email address

### 1.5. Project Summary Information

- Project Title
- Project Executive Summary (Template provided by MDD):
  - Executive outline of project objectives, desired outcomes & community benefits, including economic impact
  - Total project cost
  - Grant request
  - Other sources of financing
  - Target commencement date
  - Target completion date

### 1.6. Application Documents (provided at Applicant's discretion or requested by MDD based on project category & scope)

- Property owner acknowledgment & consent
- Detailed project work plan & timeline
- Project budget
- Plan for post-construction upkeep and ongoing operations of asset
- Design drawings
- Contractors & subcontractors
- Material specifications
- City zoning & permits documentation, as applicable
- Detailed information relating to project objectives, outcomes & community benefits (optional at Applicant's discretion)

### 1.7. Conditions & Acknowledgements

- One grant at a time per applicant/property owner.
- Grant acceptance is at MDD discretion.
- Grant is based on availability of funds within the MDD budget.
- Grant is subject to acceptance of MDD Terms & Conditions.
- Grantee is obligated to fulfill commitments of project objectives & benefits.

## 2. Project Evaluation Guidelines

### 2.1. Due Diligence Evaluation Criteria

For each proposed project, sufficient and competent information should be collected and analyzed to allow the Board to determine that the project reasonably meets the Board's standards for granting funds to a project. For all proposed projects, the following dimensions will be evaluated:

- **COMPLIANCE**

- **FIT**
- **BENEFITS** - Economic and/or quality of life benefits: extent & duration
- **RISK** - Project quality: counterparty qualifications, project delivery risk and ongoing operations risk

## 2.2. Evaluation Methodology

All project proposals will be assessed as follows:

- The President of the Board may choose to establish a subcommittee to perform the evaluation.
- If a subcommittee is used to perform the evaluation, the subcommittee will provide a report and recommendation to the Board for consideration and possible action.
- The project evaluation represents one aspect of the Board's considerations in making a grant award decision.
- COMPLIANCE will be evaluated based on the eligibility of project in accordance with Eligible Project Category (Appendix A).
- Information provided by the applicant will be evaluated to determine FIT, BENEFITS, and RISK.
- FIT will be evaluated based on conformance with the MDD mission goals and objectives.
- BENEFITS will be evaluated for economic and/or quality of life benefits, including extent and duration of the benefits to Fair Oaks Ranch.
- RISK will be evaluated for project quality considering counterparty qualifications, project delivery risks and ongoing operations risks.
- The desired outcome of the Boards deliberation will be to arrive at a decision that a project qualifies or does not qualify for funding based on COMPLIANCE, FIT, BENEFITS and RISK.
- The decision to approve project grant funding and funding amount is at the discretion of the Board.
- The decision regarding the availability and source of funds for a proposed project is at the discretion of the Board




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**MUNICIPAL DEVELOPMENT DISTRICT  
CONSIDERATION ITEM  
CITY OF FAIR OAKS RANCH, TEXAS**

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AGENDA TOPIC: Consideration and possible action regarding upcoming Regular MDD Board Meeting Dates

DATE: October 8, 2025

PRESENTED BY: Amanda Valdez, TRMC, Deputy City Secretary

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**INTRODUCTION/BACKGROUND:**

MDD Rules of Procedure require a meeting at a minimum of no less than each three (3) calendar months of each fiscal year (Article II, Section 3). This item proposes to continue conducting quarterly regular meetings. Special meetings will be called as needed. All meetings (regular or special) are open and announced in accordance with the Texas Open Meetings Act.

**POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

The purpose of this action is to set a known MDD regular meeting date each quarter in the months of January, April, July, and October 2026. This provides a better planning cycle for citizens, board members, and staff. Special meetings may be called between quarterly meetings as required.

**LONG TERM FINANCIAL & BUDGETARY IMPACT:**

Attorney fees will be slightly increased due to the quarterly meeting frequency. However, the increased meeting frequency will benefit in reducing the length of each meeting, resulting in minimum budgetary impact.

**LEGAL ANALYSIS:**

N/A

**RECOMMENDATION/PROPOSED MOTION:**

I move that the MDD Board set the following dates for their regular quarterly MDD regular meetings:

January \_\_, 2026 at \_\_\_\_\_.

April \_\_, 2026 at \_\_\_\_\_.

July \_\_, 2026 at \_\_\_\_\_.

October \_\_, 2026 at \_\_\_\_\_.