

EXHIBIT
"A"

**CITY OF ROUND ROCK AGREEMENT
FOR PROFESSIONAL CONSULTING SERVICES
RELATED TO INVESTMENT ADVISORY SERVICES
WITH
VALLEY VIEW CONSULTING, L.L.C.**

THE STATE OF TEXAS	§	
	§	
THE CITY OF ROUND ROCK	§	KNOW ALL BY THESE PRESENTS
	§	
COUNTY OF WILLIAMSON	§	

THIS AGREEMENT for professional consulting services related to advisory services for the City’s investment portfolio (hereinafter referred to as the “Agreement”) is made by and between the CITY OF ROUND ROCK, a Texas home-rule municipal corporation with offices located at 221 East Main Street, Round Rock, Texas 78664-5299 (the “City”), and VALLEY VIEW CONSULTING, L.L.C. located at 2428 Carters Mill Road, Huddleston, VA 24104 (hereinafter the “Consultant”).

RECITALS:

WHEREAS, City has determined that there is a need for investment advisory services; and

WHEREAS, City desires to enter into an Agreement with Consultant for said investment advisory services as set forth herein; and

WHEREAS, the parties desire to enter into this Agreement to set forth in writing their respective rights, duties and obligations hereunder;

NOW, THEREFORE, WITNESSETH:

That for and in consideration of the mutual promises contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, it is mutually agreed between the parties as follows:

1.0 EFFECTIVE DATE, DURATION, AND TERM

A. This Agreement shall be effective on the date this Agreement has been signed by each party hereto, and shall remain in full force and effect unless and until it expires by operation of the term indicated herein, or is terminated or extended as provided herein.

B. The term of this Agreement shall be for twenty-four (24) months from the effective date hereof. After that term, this Agreement may be renewed for two (2) successive

twenty-four (24) month periods, under the same terms and conditions, only upon express written agreement of both parties.

C. City reserves the right to review the Agreement at any time, and may elect to terminate the Agreement with or without cause pursuant to Section 10.0.

2.0 SCOPE OF WORK

A. Consultant shall perform its services in accordance with this Agreement and in accordance with the attached Exhibit "A," attached hereto and incorporated herein by reference for all purposes. Consultant shall satisfactorily provide all services and deliverables described in the Scope of Services within the contract term specified in Section 1.0. Consultant's undertakings shall be limited to performing services for City and/or advising City concerning those matters on which Consultant has been specifically engaged. Consultant shall perform its services in a professional and workmanlike manner.

B. Consultant shall not undertake work that is beyond the Scope of Work set forth in Exhibit "A." However, either party may make written requests for changes to the Scope of Work. To be effective, a change to the Scope of Work must be negotiated and agreed to in all relevant details, and must be embodied in a valid Supplemental Agreement as described in Section 4.0 hereof.

3.0 PAYMENT FOR SERVICES

In consideration for the consulting services to be performed by Consultant, the City agrees to pay Consultant for the Scope of Services deliverables as delineated in Exhibit "A."

Consultant's total compensation for consulting services hereunder shall not exceed **Four Hundred Fifty Thousand and No/100 Dollars (\$450,000.00)** for the initial term of this Agreement and any renewal terms. This amount represents the absolute limit of City's liability to Consultant hereunder unless same shall be changed by Supplemental Agreement, and City shall pay, strictly within the not-to-exceed sum recited herein, Consultant's professional fees for work done on behalf of City. This amount includes all reimbursable expenses, including travel costs.

4.0 SUPPLEMENTAL AGREEMENT

The terms of this Agreement may be modified by written Supplemental Agreement hereto, duly authorized by City Council or by the City Manager, if City determines that there has been a significant change in (1) the scope, complexity, or character of the services to be performed; or (2) the duration of the work. Any such Supplemental Agreement must be executed by both parties within the period specified as the term of this Agreement. Consultant shall not perform any work or incur any additional costs prior to the execution, by both parties, of such Supplemental Agreement. Consultant shall make no claim for extra work done or materials furnished unless and until there is full execution of any Supplemental Agreement, and City shall not be responsible for actions by Consultant nor for any costs incurred by Consultant

relating to additional work not directly authorized by Supplemental Agreement.

5.0 INVOICE REQUIREMENTS; TERMS OF PAYMENT

A. **Invoices:** To receive payment, Consultant shall prepare and submit a series of quarterly detailed invoices to City for services rendered. Each invoice for professional services shall detail the service performed, along with documentation. All payments to Consultant shall be made on the basis of the invoices submitted by Consultant and approved by City.

Should additional backup material be requested by City, Consultant shall comply promptly. In this regard, should City determine it necessary, Consultant shall make all records and books relating to this Agreement available to City for inspecting and auditing.

If City has any dispute with work performed, then then City shall notify Consultant within thirty (30) days after receipt of invoice. In the event of any dispute regarding the work performed, then and in that event Consultant shall either (a) satisfactorily re-perform the disputed services or (b) provide City with an appropriate credit.

B. **Payment of Invoices:** City reserves the right to correct any error that may be discovered in any invoice that may have been paid to Consultant and to adjust same to meet the requirements of this Agreement. Following approval of an invoice, City shall endeavor to pay Consultant promptly, but no later than the time period required under the Texas Prompt Payment Act described in Section 9.0 herein. Under no circumstances shall Consultant be entitled to receive interest on payments which are late because of a good faith dispute between Consultant and City or because of amounts which City has a right to withhold under this Agreement or state law. City shall be responsible for any sales, gross receipts or similar taxes applicable to the services, but not for taxes based upon Consultant's net income.

6.0 REQUIRED REPORTS

Consultant agrees to provide City with any necessary detailed interim and final written reports, together with all information gathered and materials developed during the course of the project. Additionally, Consultant agrees to provide City with any necessary oral presentations or such detailed interim and final written reports, at City's designation and at no additional cost to City.

7.0 INSURANCE

Consultant shall meet all City of Round Rock Insurance Requirements set forth at: https://www.roundrocktexas.gov/wp-content/uploads/2014/12/corr_insurance_07.20112.pdf

8.0 NON-APPROPRIATION AND FISCAL FUNDING

This Agreement is a commitment of City's current revenues only. It is understood and agreed that City shall have the right to terminate this Agreement at the end of any City fiscal year if the governing body of City does not appropriate funds sufficient to purchase the services as

determined by City's budget for the fiscal year in question. City may affect such termination by giving Consultant a written notice of termination at the end of its then-current fiscal year.

9.0 PROMPT PAYMENT POLICY

In accordance with Chapter 2251, V.T.C.A., Texas Government Code, any payment to be made by City to Consultant will be made within thirty (30) days of the date City receives goods under this Agreement, the date the performance of the services under this Agreement are completed, or the date City receives a correct invoice for the goods or services, whichever is later. Consultant may charge interest on an overdue payment at the "rate in effect" on September 1 of the fiscal year in which the payment becomes overdue, in accordance with V.T.C.A., Texas Government Code, Section 2251.025(b). This Prompt Payment Policy does not apply to payments made by City in the event:

- (a) There is a bona fide dispute between City and Consultant, a contractor, subcontractor, or supplier about the goods delivered or the service performed that cause the payment to be late; or
- (b) There is a bona fide dispute between Consultant and a subcontractor or between a subcontractor and its supplier about the goods delivered or the service performed that causes the payment to be late; or
- (c) The terms of a federal contract, grant, regulation, or statute prevent City from making a timely payment with federal funds; or
- (d) The invoice is not mailed to City in strict accordance with any instruction on the purchase order relating to the payment.

10.0 TERMINATION

This Agreement may be terminated for any of the following conditions:

- (1) By City for reasons of its own, with or without cause, and not subject to the mutual consent of any other party, provided a written termination notice is given to Consultant not less than thirty (30) days prior to termination.
- (2) By mutual agreement and consent of the parties, provided such agreement is in writing.
- (3) By either party for failure by the other to perform the services set forth herein in a satisfactory manner, provided such notice is given to the other party in writing.
- (4) By either party for failure by the other party to fulfill its obligations herein.
- (5) By satisfactory completion of all services and obligations described herein.

Should City terminate this Agreement as herein provided, no fees other than fees due and payable at the time of termination shall thereafter be paid to Consultant. City shall pay Consultant for all uncontested services performed to date of notice of termination.

If City terminates this Agreement for default on the part of the Consultant, then City shall give consideration to the actual costs incurred by Consultant in performing the work to the date of default. The cost of the work that is useable to City, the cost to City of employing another firm to complete the useable work, and other factors will affect the value to City of the work performed at the time of default.

The termination of this Agreement and payment of an amount in settlement as set forth above shall extinguish all rights, duties, and obligations of City and the Consultant to fulfill contractual obligations. Termination under this section shall not relieve the terminated party of any obligations or liabilities which occurred prior to cancellation.

11.0 INDEPENDENT CONTRACTOR STATUS

Consultant is an independent contractor, and is not City's employee. Consultant's employees or subcontractors are not City's employees. This Agreement does not create a partnership, employer-employee, or joint venture relationship. No party has authority to enter into contracts as agent for the other party. Consultant and City agree to the following rights consistent with an independent contractor relationship:

- (1) Consultant has the right to perform services for others during the term hereof.
- (2) Consultant has the sole right to control and direct the means, manner and method by which it performs its services required by this Agreement.
- (3) Consultant has the right to hire assistants as subcontractors, or to use employees to provide the services required by this Agreement.
- (4) Consultant or its employees or subcontractors shall perform services required hereunder, and City shall not hire, supervise, or pay assistants to help Consultant.
- (5) Neither Consultant nor its employees or subcontractors shall receive training from City in skills necessary to perform services required by this Agreement.
- (6) City shall not require Consultant or its employees or subcontractors to devote full time to performing the services required by this Agreement.
- (7) Neither Consultant nor its employees or subcontractors are eligible to participate in any employee pension, health, vacation pay, sick pay, or other fringe benefit plan of City.

12.0 NON-SOLICITATION

All parties agree that they shall not directly or indirectly solicit for employment, employ, or otherwise retain staff of the other during the term of this Agreement.

13.0 CONFIDENTIALITY AND MATERIALS OWNERSHIP

Any and all programs, data, or other materials furnished by City for use by Consultant in connection with services to be performed under this Agreement, and any and all data and information gathered by Consultant, shall be held in confidence by Consultant as set forth hereunder. Each party agrees to hold all confidential information in the strictest confidence and not make any use thereof other than for the performance of this Agreement. Notwithstanding the foregoing, the parties recognize and understand that City is subject to the Texas Public Information Act and its duties run in accordance therewith.

Any and all materials created and developed by Consultant in connection with services performed under this Agreement, including all trademark and copyright rights, shall be the sole property of City at the expiration of this Agreement.

14.0 WARRANTIES

Consultant warrants that all services performed shall be performed consistent with generally prevailing professional or industry standards, and be performed in a professional and workmanlike manner. Consultant shall re-perform any work not in compliance with this warranty.

15.0 INDEMNIFICATION

Consultant agrees to hold harmless, exempt, and indemnify City, its officers, agents, directors, servants, representatives and employees, from and against any and all suits, actions, legal proceedings, demands, costs, expenses, losses, damages, fines, penalties, liabilities and claims of any character, type, or description, including but not limited to any and all expenses of litigation, court costs, attorneys' fees and all other costs and fees incident to any work done as a result hereof.

To the extent allowable by law, City agrees to hold harmless, exempt, and indemnify Consultant, its officers, agents, directors, servants, representatives and employees, from and against any and all suits, actions, legal proceedings, demands, costs, expenses, losses, damages, fines, penalties, liabilities and claims of any character, type, or description, including but not limited to any and all expenses of litigation, court costs, attorneys' fees and all other costs and fees incident to any work done as a result hereof.

16.0 ASSIGNMENT AND DELEGATION

The parties each hereby bind themselves, their successors, assigns and legal representatives to each other with respect to the terms of this Agreement. Neither party may

assign any rights or delegate any duties under this Agreement without the other party's prior written approval, which approval shall not be unreasonably withheld.

17.0 LOCAL, STATE AND FEDERAL TAXES

Consultant shall pay all income taxes, and FICA (Social Security and Medicare taxes) incurred while performing services under this Agreement. City will not do the following:

- (1) Withhold FICA from Consultant's payments or make FICA payments on its behalf;
- (2) Make state and/or federal unemployment compensation contributions on Consultant's behalf; or
- (3) Withhold state or federal income tax from any of Consultant's payments.

If requested, City shall provide Consultant with a certificate from the Texas State Comptroller indicating that City is a non-profit corporation and not subject to State of Texas Sales and Use Tax.

18.0 COMPLIANCE WITH LAWS, CHARTER AND ORDINANCES

A. Consultant, its consultants, agents, employees and subcontractors shall use best efforts to comply with all applicable federal and state laws, the Charter and Ordinances of the City of Round Rock, as amended, and with all applicable rules and regulations promulgated by local, state and national boards, bureaus and agencies. Consultant shall further obtain all permits, licenses, trademarks, or copyrights required in the performance of the services contracted for herein, and same shall belong solely to City at the expiration of the term of this Agreement.

B. In accordance with Chapter 2271, Texas Government Code, a governmental entity may not enter into a contract with a company for goods and services unless that contract contains written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of this Agreement. The signatory executing this Agreement on behalf of the Consultant verifies that Consultant does not boycott Israel and will not boycott Israel during the term of this Agreement.

19.0 FINANCIAL INTEREST PROHIBITED

Consultant covenants and represents that Consultant, its officers, employees, agents, consultants and subcontractors will have no financial interest, direct or indirect, in the purchase or sale of any product, materials or equipment that will be recommended or required hereunder.

20.0 DESIGNATION OF REPRESENTATIVES

City hereby designates the following representative authorized to act in its behalf with regard to this Agreement:

Susan Morgan, CPA
Chief Financial Officer
City of Round Rock
221 East Main Street
Round Rock, TX 78664

Consultant hereby designates the following representative authorized to act in its behalf with regard to this Agreement:

Richard Long
Valley View Consulting, L.L.C.
2428 Carters Mill Road
Huddleston, VA 24104

21.0 NOTICES

All notices and other communications in connection with this Agreement shall be in writing and shall be considered given as follows:

- (1) When delivered personally to recipient's address as stated herein; or
- (2) Three (3) days after being deposited in the United States mail, with postage prepaid to the recipient's address as stated in this Agreement.

Notice to Consultant:

Richard Long
Valley View Consulting, L.L.C.
2428 Carters Mill Road
Huddleston, VA 24104

Notice to City:

City Manager, City of Round Rock
221 East Main Street
Round Rock, TX 78664

AND TO:

Stephan L. Sheets, City Attorney
309 East Main Street
Round Rock, TX 78664

Nothing contained in this section shall be construed to restrict the transmission of routine communications between representatives of City and Consultant.

22.0 APPLICABLE LAW; ENFORCEMENT AND VENUE

A. This Agreement shall be enforceable in Round Rock, Texas, and if legal action is necessary by either party with respect to the enforcement of any or all of the terms or conditions herein, exclusive venue for same shall lie in Williamson County, Texas. This Agreement shall be governed by and construed in accordance with the laws and court decisions of Texas.

23.0 EXCLUSIVE AGREEMENT

The terms and conditions of this Agreement, including exhibits, constitute the entire agreement between the parties and supersede all previous communications, representations, and agreements, either written or oral, with respect to the subject matter hereof. The parties expressly agree that, in the event of any conflict between the terms of this Agreement and any other writing, this Agreement shall prevail. No modifications of this Agreement will be binding on any of the parties unless acknowledged in writing by the duly authorized governing body or representative for each party.

24.0 DISPUTE RESOLUTION

City and Consultant hereby expressly agree that no claims or disputes between the parties arising out of or relating to this Agreement or a breach thereof shall be decided by any arbitration proceeding, including without limitation, any proceeding under the Federal Arbitration Act (9 USC Section 1-14) or any applicable state arbitration statute.

25.0 ATTORNEYS' FEES

In the event that any lawsuit is brought by one party against any of the other parties in connection with this Agreement, the prevailing party shall be entitled to seek to recover its reasonable costs and reasonable attorney fees.

26.0 FORCE MAJEURE

Notwithstanding any other provisions hereof to the contrary, no failure, delay or default in performance of any obligation hereunder shall constitute an event of default or breach of this Agreement, only to the extent that such failure to perform, delay or default arises out of causes beyond control and without the fault or negligence of the party otherwise chargeable with failure, delay or default; including but not limited to acts of God, acts of public enemy, civil war, insurrection, riots, fires, floods, explosion, theft, earthquakes, natural disasters or other casualties, strikes or other labor troubles, which in any way restrict the performance under this Agreement by the parties.

Consultant shall not be deemed to be in default of its obligations to City if its failure to perform or its substantial delay in performance is due to City's failure to timely provide requested information, data, documentation, or other material necessary for Consultant to perform its obligations hereunder.

27.0 SEVERABILITY

The invalidity, illegality, or unenforceability of any provision of this Agreement or the occurrence of any event rendering any portion of provision of this Agreement void shall in no way affect the validity or enforceability of any other portion or provision of this Agreement. Any void provision shall be deemed severed from this Agreement, and the balance of this Agreement shall be construed and enforced as if this Agreement did not contain the particular portion of provision held to be void. The parties further agree to amend this Agreement to replace any stricken provision with a valid provision that comes as close as possible to the intent of the stricken provision. The provisions of this Article shall not prevent this entire Agreement from being void should a provision which is of the essence of this Agreement be determined void.

28.0 STANDARD OF CARE

Consultant represents that it is specially trained, experienced and competent to perform all of the services, responsibilities and duties specified herein and that such services, responsibilities and duties shall be performed, whether by Consultant or designated subconsultants, in a manner acceptable to City and according to generally accepted business practices.

29.0 GENERAL AND MISCELLANEOUS

The section numbers and headings contained herein are provided for convenience only and shall have no substantive effect on construction of this Agreement.

No delay or omission by either party in exercising any right or power shall impair such right or power or be construed to be a waiver. A waiver by either party of any of the covenants to be performed by the other or any breach thereof shall not be construed to be a waiver of any succeeding breach or of any other covenant. No waiver of discharge shall be valid unless in writing and signed by an authorized representative of the party against whom such waiver or discharge is sought to be enforced.

This Agreement may be executed in multiple counterparts, which taken together shall be considered one original. City agrees to provide Consultant with one fully executed original.

[Signatures on the following page.]

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates hereafter indicated.

City of Round Rock, Texas

Valley View Consulting, L.L.C.

By: _____
Printed Name: _____
Title: _____
Date Signed: _____

By: Richard G. Long, Jr.
Printed Name: RICHARD G. LONG, JR.
Title: MANAGER
Date Signed: 7/21/2021

For City, Attest:

By: _____
Sara L. White, City Clerk

For City, Approved as to Form:

By: _____
Stephan L. Sheets, City Attorney

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Scope of Services



June 8, 2021

City of Round Rock
Attn: Susan Morgan
221 East Main Street
Round Rock, TX 78664-5299

Thank you for this opportunity to present Valley View's credentials to continue investment advisor services for the City of Round Rock (the "City"). The following highlights Valley View's experiences, philosophies, and capabilities related to the objectives and work to be performed under this contract.

As the City has experienced, we believe an investment advisor should function as an extension of the City's finance staff. Managing the portfolio the way the City would, if staff had the time to dedicate. We monitor markets on the City's behalf, and develop and execute investment strategies to safely optimize the returns of the City's portfolio. Our strategy and selection considerations are fully discussed prior to execution so that the City can be comfortable that appropriate decisions are made.

If the City continues with Valley View, the investment management services you would receive include:

- Strategic portfolio advice to achieve the City's investment objectives,
- Investment policy and bond covenant review,
- Development of historical cash flow model for all non-bond funds,
- Project management assistance to develop a cash flow model for bond proceeds,
- Complete analysis of investment types, pools, and money market funds,
- Thorough communication, reporting, and training,
- Effective investment provider management,
- Integration of bond proceeds investment, and
- Long range portfolio strategy development.

Providing value added services for a reasonable and appropriate fee is Valley View's objective. With that in mind, and based upon the current portfolio balances, we re-propose the same tiered annual fee based on portfolio average book value with annual \$75,000 fee cap. Standard invoicing would be quarterly, in arrears.

The Valley View team has been providing cash and investment services to the City for many years. We hope that our experience and proven successes ease your decision to select Valley View as investment advisor. Please call me at (540) 297-3419 if there are any questions or to discuss moving forward.

Sincerely,



Richard G. Long, Jr.
Manager, Valley View Consulting, L.L.C.



Proposed Services and Investment Approach

Public funds require a different investment approach and fiduciary responsibility to adequately judge appropriate risk/return opportunities. The City has many essential functions to effectively serve its constituents. Investing is usually considered a secondary activity. Our service objective ensures the level of attention and commitment to effectively manage the City's funds. We believe in the principles stressed by the PFIA and the City's Investment Policy:

- Safety of Principal
- Maintenance of Adequate Liquidity

Whether the City invests operating or bond funds, these fundamental considerations and principles will be the same. The management of public funds are scrutinized more than any other organizations, therefore Valley View takes great care in assessing and addressing risks on multiple levels to ensure due diligence in minimizing risk exposure.

Portfolio strategy development will be suggested only after thorough analysis and conclusive evidence that the adjustment provides long-term benefit to the City. Interest rate cycle timing and appropriate yield curve positioning provide the most effective and consistent yield enhancement. Valley View's services will include the research and analysis necessary for the City to formulate strategy recommendations and Valley View will participate in any presentation (formal or informal) designed to gain approval to implement the desired strategy.

Operating - For the operating portion of the portfolio, Valley View will:

- Review and recommend modifications to the City's Investment Policy,
- Assist in cash flow forecasting,
- Analyze available products (individual products and pool/fund options) and institutions,
- Interpret market conditions and trends,
- Determine appropriate asset allocations,
- Advise on long-range strategy selection,
- Implement strategy within a competitive pricing environment,
- Prepare appropriate calculations, accruals and reports,
- Provide independent sources for investment market valuations,
- Comply with Investment Policy and state and federal regulations,
- Review procedures and documentation for management procedures and investment alternatives,
- Monitor broker/dealer and safekeeping relationships,
- Attend occasional meetings, and
- Educate City staff on pertinent investment topics.

Bond Proceeds – For bond proceeds investment, our guidance will include:

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- Developing and analyzing projected expenditure patterns,
- Estimating expenditure period interest earnings,
- Determining any appropriate Investment Policy changes,
- Analyzing the effects of various investment strategies on the potential arbitrage liability,
- Developing the *optimum* strategy,
- Reviewing the draw schedule and portfolio performance as the projects progress,
- Identifying potential arbitrage concerns, and
- Implementing any debt service fund investment strategies.

Combining all of these concepts into active portfolio management will enhance portfolio return over the long run.

Whether the City invests operating or other funds, the fundamental considerations and principles stressed above will be the same.

With a primary focus on managing Texas public funds, Valley View regularly assists in the development, modification and implementation of investment policies, portfolio strategies and other investment-related services. We consider those functions as essential to the effective fulfillment of our contracts and will work with the City annually in addressing its policy development needs. Members of the Valley View team have written scores of investment policies for Texas entities since the PFIA mandated the document in 1987 and regularly provide instruction through the University of North Texas on the effective and state law-compliant development of investment policies.

Valley View is intimately familiar with the PFIA and extensively reviews each new investment option to ensure compliance. Our services will include annual Investment Policy reviews. Additionally, the Valley View team's personal Texas-government experience with spending and other internal polices will augment our interaction.

Although market and economic considerations are involved in making the investment decisions, we believe a more important consideration revolves around the client's cash flow needs. As a PFIA-oriented investment advisor, we believe providing a dependable and stable investment structure is a key objective. Market speculation does not factor into this strategy. Of course, we consider where interest rates might be headed in the short term, but our main focus is on maintaining a discipline to protect and preserve assets over the long term without taking inordinate amounts of risk. This discipline begins with the cash flows of the client.

Maturity Distribution – To demonstrate the value that can be added by strategic allocation of assets along the yield curve, Valley View has collected data going back for over three decades. This data provides compelling evidence of the value that can be added by such allocations. Before maturity extensions can be executed however, an analysis of the City's cash flows must be

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instituted to ensure that adequate safety and liquidity remain at the forefront of the strategy and objectives.

For example, one strategy model compares a rolling portfolio of two year investments to a government security-based local government investment pool. The rolling two-year portfolio has experienced significant average yield advantage over the pool yield. Analyzing the City's cash flows and identifying potential longer-term balances could generate similar benefit for that portion of the portfolio that could be prudently laddered.

Building an appropriate ladder can be handled several ways. The current steepness of the yield, and potential for interest rate increases, encourages investing in shorter ladder rungs building towards the strategic goal. The City's cash flow analysis and market conditions at decision time will influence the selected implementation plan and timing.

Managing Market Risk by Limiting Investment Maturities – Selecting appropriate yield curve positions for fixed income securities must include an analysis of the potential valuation risk of that particular maturity. Market value of security positions will vary from the date of purchase until maturity. Longer-term maturities will be much more volatile than shorter-term positions and an assessment must be made prior to purchase as to whether the potential variance is worth the incremental yield of the longer maturities.

One strategy to mitigate the impact of changing market environments is to maintain a disciplined approach of regular security purchases through a variety of market conditions. This discipline generally allows the portfolio to offset unrealized losses with unrealized gains with the strategy objective to reach a net mark-to-market spread that is lower than that of any individual security.

Adjusting to Market Movements – Current yields have remained dramatically low over the recent past. Those investors that had practiced a disciplined laddering approach for their fixed income portfolios fairly successfully weathered the storm. Moving forward, investing too short reduces current portfolio interest earnings as yields remain historically low. Too long of maturity, when rates rise rapidly, restricts future interest income and impairs market valuation. Therefore, gradual targeted implementation of portfolio strategy hedges the portfolio against the uncertainty and allows the portfolio to build towards its optimum long-term yield curve position. At the same time, however, the portfolio's weighted average maturity can be strategically adjusted to anticipate and accommodate economic market movements. Valley View will work with the City to identify the appropriate maturity allocation during any given market environment.

Adding Potential Returns Through Investment Selection – Valley View generally prefers diversified investment portfolios, and works with each client to establish the optimal mix. However, most of these clients want us to be nimble and flexible enough to adjust this structure to market opportunities or current market risks. As an example, not too long ago, we were focusing our clients on U.S. Government securities that were offering attractive returns relative to the other issuers in the marketplace. As their risk/return profile and attractiveness changed, we began to research other opportunities on behalf of our clients. Our research uncovered significant value in

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bank certificates of deposit and other interest bearing products, and we began to move client monies into those fully insured or enhanced options. These investments require much greater effort on the part of the investment advisor and have historically not been included in the arsenal of larger investment advisors' recommendations (probably because of the additional time to identify potential sources and ensure proper document execution). On the other hand, we have found them to be safe (as long as they are documented appropriately), dependable, and attractive. Since 2008, these instruments have exceeded the returns of comparable alternatives by 10 to 75 basis points.

In the current economic environment, Valley View continues to see value in bank deposit products. We have placed deposits with a number of Texas-based financial institutions, and continue to expand that list. Additionally, we have utilized Certificate of Deposit Account Registry Service (CDARS), which is a PFIA-authorized deposit product. For solicitations, Valley View generally contacts banks statewide to provide rates to various dates. We also send solicitations to local financial institutions to allow them to offer rates to clients in their vicinity. These direct-placed CDs are issued in the name of the client. Brokered or mass-marketed CD programs may be considered if adequate advantage can be achieved.

As market conditions change, Valley View will again adjust our selection process. We recognize that the economic and market conditions over the past few years have been extremely challenging and unique. The most important strategy to keep in mind is to ensure that all cash flow needs are covered and that a laddered approach to investing is diligently practiced. Sector selection, while important, becomes a secondary consideration as long as the portfolios invest in the types allowed by the PFIA and individual client investment policies.

As a "part-time" employee of the City, Valley View believes steady, direct interaction creates an optimum decision environment. Frequent discussion communicates market conditions, anticipated trends, City cash needs, available investment options, strategy effectiveness, and policy compliance. Effectively handled, the City's staff and Valley View should function singularly, not as separate organizations.

The needs and desires of the City will dictate the optimum schedule for interaction. Routine cash flow analysis, strategy development and investment provider review will require regular interaction with the City's staff. Market cycles and the City's cash flow schedule will largely determine appropriate ongoing interaction. Regular communication (phone, email, conference calls, and on-site meetings) will focus on:

- Current cash requirements,
- Specific investment opportunities,
- Market information,
- Appropriate transaction execution levels,
- Transaction settlement status, and
- Investment reporting.

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Overall strategic portfolio analysis will include:

- Quarterly strategy/portfolio review and
- Annual performance review.

Major market shifts or portfolio modifications may also require emergency meetings or conference calls to review market trends and appropriately adjust strategies. Valley View is committed to effective and timely response to the City's needs and if additional meetings are necessary, we will be available.

Valley View will prepare quarterly investment reports in compliance with the PFIA and City Investment Policy. We will also prepare monthly accounting reports. Both reports allow some flexibility as to content and format. We will work with the City to ensure acceptable reports are provided.

For the monthly accounting reports, Valley View utilizes Tracker portfolio software, a web-based investment reporting system that affords a high degree of flexibility in content and format of reported information. This information can be produced in PDF reports as well as downloaded into Excel worksheet form. City staff can access the data and reports on-line through the Tracker website.

Valley View provides a brief market overview as a component of the quarterly report and prepares a monthly commentary article to review economic updates.

Valley View goes above and beyond the traditional investment advisory services and routinely provides our clients with other complementary services. Additional Valley View services include:

Primary Depository Bank – Valley View's primary depository bank selection services generally involve a Request for Application ("RFA"), and could include the following, as necessary:

- Analyzing the prior Primary Depository Bank selection process and current operations.
- Reviewing the budget, annual financial report and audit.
- Developing a calendar of events.
- Defining the acceptable area from which prospective applicants will be considered.
- Establishing the criteria by which the applications will be evaluated.
- Preparing a list of financial institutions that will be sent the RFA.
- Preparing a draft RFA.
- Finalizing the RFA with City staff.
- Assisting with hosting a pre-proposal conference.
- Analyzing responses for conformance to the RFA requirements and to determine the best relative value based on the evaluation criteria.
- Meeting to review the results of the proposal analysis.

Exhibit "A"
Scope of Services



Page 6.

- Assisting with the presentation to the Committee/Council for selection of a primary depository bank for the new contract period.

Reviewing Custodial and Safekeeping Agreements – Properly established custodial and safekeeping agreements are essential to safely and effectively manage the portfolio. Valley View's dedicated focus to public funds investment has involved extensive experience in opening and maintaining acceptable custodian and safekeeping accounts. We will assist as necessary in reviewing the current arrangements and when establishing any new relationships.

Broker/Dealer Management – If the City contracts with Valley View, broker/dealer management services are included (if needed).

Three criteria guide Valley View's approach to managing broker/dealer relationships. They must:

1. Understand and accept the unique objectives of investing public funds,
2. Provide competitive pricing, and
3. Respond appropriately to the needs of the client.

There are many broker/dealers that meet these basic requirements. A competitive environment is difficult to achieve with too few broker/dealers. Too many are cumbersome, increase the risk of missed trades, and restrict the City's business with any one broker/dealer (unfortunately, broker/dealers lose interest in client service without some reward). The optimum number is entity-specific; however, the overall objective is to establish a competitive yet workable transaction environment.

Many times an investment advisor only transacts with its "list" of broker/dealers and the client loses identity to the broker/dealer community. Valley View's approach clearly communicates the client's role in broker/dealer selection, encourages complete knowledge of each participant, and provides direct contact information to both parties. If the City re-internalized the investment management function, the City and its broker/dealers would be prepared.

If needed, Valley View can provide recommendations of broker/dealers currently used by other clients. Or a selection process to independently identify and recommend potentially beneficial broker/dealers could be implemented. The City would ultimately approve any adjustments to the list.

Exhibit "A"
Scope of Services



Fee Proposal

To provide the total service package described above, we propose a tiered annual fee based on average portfolio quarter end book value:

- 0.030% up to and including \$85,000,000
- 0.025% over \$85,000,000 up to and including \$150,000,000
- 0.020% over \$150,000,000 up to and including \$250,000,000
- 0.010% over \$250,000,000

With an annual maximum fee of \$75,000. Valley View will invoice the City in arrears each quarter.

Placement Agent fees related to bond proceeds investment in a flexible repurchase agreement or guaranteed investment contract may be received from the selected provider. Any funds placed under this arrangement would not be included in the contracted investment advisory fees and would be governed by IRS regulations.

No travel, training, or other administrative fees or expenses would need City reimbursement. The City may incur transactional expenses in the execution of its investment strategy, such as safekeeping or bank wire charges. We will assist the City in minimizing all such transactional expenses or any other normal business expenses that might be incurred by the City in the management of its funds.