

THE STATE OF TEXAS

COUNTY OF CAMERON

BE IT REMEMBERED on the 29th day of May, 2001, there was conducted a REGULAR Public Meeting of the Honorable Commissioners' Court of Cameron County, Texas, at the Courthouse thereof, in the City of Brownsville, Texas, for the purpose of transacting any and all business that may lawfully be brought before the same.

THE COURT MET AT:

5:30 P.M.

PRESENT:

GILBERTO HINOJOSA
COUNTY JUDGE

PEDRO "PETE" BENAVIDES
COMMISSIONER, PRECINCT NO. 1

CARLOS H. CASCOS, C.P.A.
COMMISSIONER, PRECINCT NO. 2

DAVID A. GARZA
COMMISSIONER, PRECINCT NO. 3

NATIVIDAD "TIVIE" VALENCIA
COMMISSIONER, PRECINCT NO. 4

Inelda T. Garcia Deputy
COUNTY CLERK

ABSENT:

The meeting was called to order by Judge Gilberto Hinojosa at 5:36 P. M. He then asked Mr. Bob Clark, Brownsville resident, for the invocation and he led the Court and the audience in reciting the Pledge of Allegiance.

The Court considered the following matters as posted and filed for Record in the Office of the County Clerk on May 25, 2001, at 2:56 P. M.

ACTION ITEMS

(1) APPROVAL OF BUDGET AMENDMENTS AND/OR SALARY SCHEDULES

Commissioner Cascos questioned the reduction of liability insurance on the Constables vehicles and the Budget Officer responded that previously the insurance was charged to vehicle insurance and liability insurance and now it was being combined into one line item.

Commissioner Benavides moved that the Fiscal Year 2001 Budget Amendment No. 2001-25 be approved.

The motion was seconded by Commissioner Valencia and carried unanimously.

The Budget Amendment is as follows:

(2) **APPROVAL OF MINUTES OF THE REGULAR MEETINGS OF MAY 1,2001 AND MAY 15, 2001**

Commissioner Valencia moved that the Minutes of the Regular Meetings held May 1, 2001 and May 15, 2001, at 5:30 P. M. be approved.

The motion was seconded by Commissioner Cascos.

At this time, Commissioner Garza noted that the May 1, 2001 Minutes, Item No. 12 should reflect that he voted ANay@, and was not a unanimous vote.

Upon motion duly made by Commissioner Valencia that the Minutes of the Regular Minutes held May 1, 2001, at 5:30 P. M., with the correction noted on Item No. 12 to reflect that Commissioner Garza voted ANay@, and the Minutes of the Regular Meeting held May 15, 2001, at 5:30 P. M., be approved.

The motion was seconded by Commissioner Garza and carried as follows:

AYE: Commissioners Benavides, Garza and Valencia,

NAY: None,

ABSTAIN: Commissioner Cascos as to the Minutes of May 15, 2001.

(3) **IN THE MATTER OF POSSIBLE ACTION REGARDING CAMERON COUNTY REDISTRICTING PLAN (TABLED)**

Upon motion by Commissioner Cascos, seconded by Commissioner Valencia and carried unanimously, this Item was **TABLED**.

(4) **IN THE MATTER OF POSSIBLE ACTION REGARDING MODIFICATIONS, ADDITIONS AND/OR DELETIONS AT THE CAMERON COUNTY DETENTION FACILITY AND SHERIFF-S DEPARTMENT, AND ISSUES RELATED THERETO (TABLED)**

Upon motion by Commissioner Valencia, seconded by Commissioner Garza and carried unanimously, this Item was **TABLED**.

(5) POSSIBLE ACTION REGARDING CAMERON COUNTY AND CITIES CHALLENGING CENSUS 2000 COUNTS AND ISSUES RELATED THERETO

At this time, Mr. Rolando Rios, Attorney-at-Law, reported that the lawsuit had been filed, that the attorneys for the government had contacted him and he was waiting for their response, two experts had been interviewed, and that a briefing with the experts would be conducted.

Upon motion by Commissioner Garza, seconded by Commissioner Valencia and carried unanimously, the possible action regarding Cameron County and cities challenging Census 2000 Counts and issues related thereto was acknowledged.



(6) POSSIBLE ACTION ON AWARD OF THE BANK DEPOSITORY CONTRACT/CAMERON COUNTY - BID NO. 1222

At this time, Judge Hinojosa reported, Athat Item was not able to be resolved last week; I guess, we are now ready to resolve IT.@

Mr. Mark Yates, County Auditor, - AI am here in lieu of the County Treasurer. He e-mailed. The County Auditor is here on lieu of the County Treasurer. He is out of town and could not be here. He e-mailed me his recommendations which you all have before you, and if I can read it for the public and using his words, because I do not want to paraphrase it@, he read the following e-mail:

Mr. Yates - In reviewing the audio tapes of last week's meeting, a committee was not approved, is that still the Commissioners= Court?@

Judge Hinojosa - That's what, you know, I tried to get a committee, and that wasn't approved, and we were given the deadline of today, I am ready to proceed today.@

Mr. Yates - The Treasurer's e-mail, based on the e-mail to me, his first recommendation is First National Bank, and I have provided a letter to the Court, which you have before you. First National Bank is my recommendation as County Auditor, for various and sundry different reasons. Primarily the four (4) existing locations, and the one in Port Isabel, I believe, under construction. The cost of armored car services to one location, rather than four different ones would increase slightly, estimated about \$3,350.00 per year additional costs. Lone Star Bank does have a higher fixed rate in their Money Market Account, compared to First National Bank bid of 4.25% over. I've checked with the Treasurer's Office, and in any one given time, the most we ever had in the Money Market Account was, not in the current Depository arrangement, but in the prior one we had 12 million dollars, so based on that level, if was \$6,000. Which would be the five one hundreds of one percent differences in rate, and based on that, Lone Star, on that small category of bid, that is superior to First National Bank. But only by about \$6,000.00. Alright. Now, there has been some discussion between a two (2) year and a four (4) year contract, and it was only at the last year's option, last bid process that we had the option of a two (2) or four (4), and Commissioners= Court elected a two and not a four (4), but that had only been an option at our last bid cycle. And so, based on the Auditor's Office, and my recommendation, is that changing every two (2) years is a very turbulent situation for us. For us to change over a hundred different bank accounts and check stubs, and to adjust our computer program to generate to different routing numbers, they can be done, but we should have a real significant increase in benefits to the County for such significant effort and costs. The other thing that is paramount to internal control is the posi=situation. Let me just explain to the public Commissioners= Court exactly what that is. When we generate a pay check and an accounts payable check, we send a computer file to the Bank; and it has a date, check number and amount, and if those things do not match, they are kept, not paid. There is no action on the Bank's part, except, and it is done by computer coordination; there is not any oversight, there is not any need to look at an authorized endorsement, and keep in mind, we had that issue two years ago, whether an item had proper endorsement or not. And that was litigated and cost the County a little bit of money, and the County ultimately did prevail. Now keep in mind that, both Banks are leading contenders. First National Bank has provided satisfactory services over the past two (2) years. The Officer that I know for Lone Star Bank, Mr. Arturo Farias, when he was with the prior Depository gave exemplary

services as an Officer there. So, I am confident in the personnel in both sides, it's just which has the best features for the County, and my recommendation remains with First National Bank of Edinburg.®

Judge Hinojosa - AThank you, Mark. I took a look at these things, given that we were not given an opportunity to do it before hand, and I talked to Remi about how much time frame we had in order to be able to figure these things out and, I know that Eddie was disputing whether or not we had had, he had give us these information with plenty of time to be able to appoint a Committee and from what Remi tells me is, when I saw his evaluation, which was about two (2) weeks ago, was the first time he saw the evaluations. Prior to that time we were never given an opportunity to appoint, other than the time when he requested bid specifications be approved, to appoint a committee to evaluate this thing. In the week, in the ensuing, in the last week that we've had, I had an opportunity to review the proposals, and I think this is what it comes down to , in my opinion. The issue here, I think, ultimately, is do we go with fixed rate that we are tied into for the next four (4) years, which is what the bid proposal from First National Bank is at 4.25%, a fixed rate; or do we go with a variable rate that is higher than their rate? Ok. And that is what we need to make a decision. Ultimately, we were going to have to make that decision, any ways, because in the proposal that was submitted by First National Bank, they give us the alternative, go with variable rate which is at a lower percentage rate than what Lone Star Bank submits, or we'll take a 4.25 % fixed rate for a period of four (4) years, and that rate is what we are stuck with during that four (4) year period. I don't think there's anybody in this Commissioners=Court that has seen lower interest rate, in their adult life time, than what we have today. In the last two (2) months we have had two percentage point drop as a result of the faltering economy and the interest rates are at rock bottom, today. We have all experienced significant higher interest rates during the period of time, in our adult life, and what we do when we adopt a 4.25 fixed interest rate for a four (4) year period, we are stuck with the rate, no matter what the economy does and no matter what the interest rates are. That's what the bid proposal says.®

Commissioner Cascos - AIs that accurate?®

Mr. Yates - AWe always had the option for outside investment for if variable rates go higher using TexPool or Lone Star Investment pools.®

Judge Hinojosa - AThe proposal says. That's not what the proposal says, Mark. The proposal says that if the County elects the fixed rate, at no time shall it is subject to change. That is what the proposal says. The NOW Account, the CD's are at the same rate, at the current amount of money that we have currently on Certificates of Deposits. On the average balance, both totals are essentially the same, there is no difference, unless you go below a certain limit, that it

never goes down below, and really, the issues are the NOW Accounts, and the interest rates in the NOW Accounts. If the interest rate goes up one (1) percentage point, one (1) percentage point on the T-Bills, you essentially then have Lone Star interest rates at the higher rate, by a small fraction over a period of time. If the interest rates go up even higher, than the margins that the County is going to be given versus what First National Bank is giving on a fixed rate goes up a substantial per period of time. But the issue, though is this, if we were to accept First National Bank, we would have to make a decision whether to go with a variable rate or whether we go a fixed rate. That's our decision. Not the Auditor's decision. Not Eddie Gonzalez's decision. I believe that we are not in the business of predicting interest rates, and where they are going to be and we are in the business of being a prudent investor. Being in the business of a prudent investor requires us to be conservative in our investments. Being conservative in our investment means that we should go with a highest variable interest rate, because if we take a gamble that interest rates are going to stay low and they are not, the County ends up losing a significant amount of money. And that's the bottom line. Everything else, after that, basically, is the same. The only other issues, and I want to go over some of those issues, that. And the numbers that I have seen, Mark, are not \$6,000.00, they are closer to \$10,000.00. But, you know, \$6,000.00, \$10,000.00, it makes the difference in the way we operate. The differences that we've got also, are the four (4) existing different locations that you mention with respect to the fact that Lone Star Bank had one (1) location. You know, I had Eddie Gonzalez come up here and say that they've done a good job with First National Bank, and you said the same thing. Last I recalled, when we gave the contract to First National Bank, they only had one (1) location, one (1) location and one (1) location. Lone Star Bank. At the time that the contract was given to them they had one location. They had another location later on, shortly thereafter, opening at the Island. But at the time the contract was issued to them there was one location. One (1) location to make deposits, other than the bank location over there. Let me finish with the analysis, then you can come up. Alright, this issue I want to talk about, the issue of changing every two (2) years. I am amazed by the concern raised on this issue. We have bid this contract every two years for the last, now, six (6) years, and every two (2) years we've gotten a better deal. It doesn't make any sense to me not to want to come up and bid this proposal in two (2) years, if Cameron County, every two (2) years makes more money. At some point, it's going to hit rock bottom, and we are not going to go any further. But it seems to me that our re-bidding this contract every two (2) years has been to the great advantage of Cameron County. We have much better interest rates today than we did six (6) years ago, and the reasons that we have much better interest rate is because we've made it competitive. We put it on the market for the different Banks to bid, and they bid, they bid hard. They competed against each other in a tough way, and you've got these proposals coming close because of that. I realize there's logistical problem that needs to be addressed when there is a change over, but, I

think, in the long run the taxpayers win because we have a situation that we have better interest rates, because every two (2) years banks are bidding with one other. If they come back in two (2) years and bid again whoever gets the best deal in my opinion gets the contract, as far as I'm concerned, now, positive pay. Positive pay is an issue if the bank is not willing to admit liability when we run into the problems that resulted last time. And even though I am the attorney for the bank that was involved in that problem, I don't know anything about what happened, all I can tell you is about what would be required today. I think it's our obligation, and I think that everybody in this Commissioners' Court would require that at the get go. Regardless of the positive pay issue whatever contract is entered into, with whatever depositor we agree to enter into that's got to be a requirement in the contract, i.e. that they are liable for this kinds of situations. So, it doesn't matter whether you have positive pay or not, ultimately, if we protect ourselves in our contracts, which we hadn't before, because we didn't anticipate it, or maybe we thought we had it, but we'll make it clear in the contract so it doesn't become an issue anymore. It doesn't become an issue, because at that point the Bank, whichever bank it is, whether you have a positive pay in the contract or not, has to assume liability, so, to me, that's not an issue. You know, so I think that if you look at the two (2) proposals, and I don't think. We didn't have any problems with IBC last time around and we moved banks, the problem that occurred was litigation with post issuance of the new contract, at the time we entered into the contract everything was peachy king with IBC. Those issues I'm assured, I feel sure, that whatever bank we issued into they're gonna want to keep this depositors agreement and they're work closely with the County, so, because of all those reasons, I'm gonna want to go with the lowest bid, and the lowest bid is Lone Star Bank and I so move.@"

Commissioner Cascos - AI have a question before.@"

Judge Hinojosa - Als there a second to my motion for purposes of discussion?@"

Commissioner Valencia - AJudge, I'm gonna go ahead and second that. I believe that the Interest Rate that you stated, is very important to the County. I feel that the two (2) years, again, is something we should be really, really, be concerned about, again, I think it's the right thing to do.@"

Judge Hinojosa - AThe motion is seconded?@"

Commissioner Benavides - AUnfortunately, I wasn't here last week. I was out on a seminar, which the County did not pay, JuaNita, I paid myself. And I hate to be put in a position in which I'm going to be the deciding vote, obviously.@"

Judge Hinojosa - AWell, you don't know that.@"

Commissioner Cascos - AHow do you know that?@"

Commissioner Benavides - AI read the Minutes of last week. Yes. I read the Minutes. Whatever it is, I knew.®

Commissioner Cascos - AWhat Minutes? They're not even made yet. How could you have read the Minutes?®

Commissioner Benavides - AAnyway, Four (4) or five (5) years ago, I had to make a decision with IBC, and they're were great bank. And last time I was in a committee to see decide which bank we were going to select, and we selected First National Bank. To me the proposals are pretty even, not that much drastic differences on either one. I think they are all good banks, I bank on all of them, that was one of the situations that we had last time, where if you had any special interests, if you had borrowed for a car or a house, it would exempt from voting for that, this year it didn't come out. But, unfortunately I have to make a decision here and sometimes they are not very popular, sometimes they are ok, I feel, I've always liked to give the little guy a chance, always wanted business to come into Brownsville, grow and so forth; therefore, I'm going to vote for Lone Star this time.®

Commissioner Cascos - AWell, we haven't cast a vote yet. But let me discuss this first. All the issues, let me address this to Mark and to Doug, and Eddie is not here, initially, I think you were all part of the Committee that gave a recommendation the last time. I think it was Doug, Mark, and yourself.®

Judge Hinojosa - ATwo (2) years ago.®

Commissioner Cascos -A Yes, two (2) years ago, the last time there was a lot of confusion regarding, did we set up a committee or not. Apparently, based on what I've heard, no committee was ever set up. But still, in that.®

Mr. Yates - ABut, the committee was never disbanded, either.®

Commissioner Cascos - ARight, it wasn't disbanded either. But all the issues, and they are valid issues that the Judge brought up.®

Judge Hinojosa - AWe change committees on every bid and every proposal, you know that.®

Commissioner Cascos -A The comments that the Judge brought up, were they not considered by this three (3) member ad-hoc committee, whatever. I mean, were all those things consider about the >posi=pay, the locations, I mean, were you all just oblivious to that. Didn't even consider the rates or anything like that or did you all look at those issues.®

Mr. Yates - AWe looked at the issues and the correspondence that was addressed, and in isolation the Judge is correct on the necessity of the evaluation. But we do have a investment policy approved by the Commissioners= Court allowing other instruments of investment and our bid does allow outside investments so that if rates do rise we do have other avenues, we have TexPool, Lone Star Investments, among others.®

Commissioner Cascos - ALet me ask you Mark, just to clarify. The Judge indicated that we are locked into a fixed rate for four (4) years on some of these accounts is that accurate?®

Judge Hinojosa - AThat's what the proposal says, that's what I'm saying.@

Mr. Yates - ARight, First National Bank proposal said that these are no outside, in fact, if I could read them verbatim, but I don't believe that is, and I have to defer to you as counsel. I believe, and counsel is going to have to clarify this, but at the end of two (2) years there is a migration of either selecting a variable or a fixed continuing.@

Commissioner Cascos - ASo basically, what it says, go ahead, Mark, I'm sorry.@

Judge Hinojosa - AThat's not what is says.@

Mr. Yates - AIs that correct? I need your counsel.@

Mr. Doug Wright, Commissioners=Court Legal Counsel - AWhatever the bid specs call for; it has to comply with statute. The statute states that the County should contract with the bank and with this section for a two (2) year, or four (4) year contract term=. Next paragraph, if the contract is for four (4) year term, the contract shall allow the bank to establish, on a basis negotiations with the County, new interest rates, and financial terms with the contract that will take effect the during the final two (2) years of the four (4) year contract, if one, the new financial term should not increase prices to the county by more than ten percent, and the County has the option to choose to use initial variable interest rate option, or to change to the new fixed or variable interest rate options proposed by the bank .@

Commissioner Cascos - ASo, then, I guess if...@

Judge Hinojosa - ABut that's not what the proposal says.@

Commissioner Cascos - AWell, but the proposal, the way I'm hearing it, cannot violate state law.@

Judge Hinojosa - AWell but you make a proposal and you state that it is not subject to change during a four (4) year period that's the proposal that they made. You can't now go back on what you said, on what you bid on, then everybody can bid again and see what they can come up with.@

Commissioner Cascos - AWell, the issue, and I guess you can interpret a hundred different ways, but the issue is that the statute the way you read it we have an option at the end of two (2) years to renegotiate those rates, and Remi, you might want to read that and make sure that you didn't misread. Now, let me ask a question, because, its unfortunate that we have two (2) good banks, I have no problem with either bank. But when we specked this thing out, we had the opportunity, the Court had the opportunity, when we got the specs to basically let the public know that we were not going to entertain a four (4) year contract, for the reasons that you put. We don't lock ourselves into a four (4) year contract because we don't know what the future holds. We should have, at that point in time, and I said it again the last time that, we should of indicated right then and there, that had we read the specs or when we read the specs, a four (4) year contract is out, don't even bring us a four (4) year contract. We're only going to entertain a two (2) year contract. So we have six

(6) banks that made bid proposals, and when you said, make a motion on the lowest bid, I guess it's the best bid, but we had six (6) proposals; four (4) of the banks submitted a four (4) year contract and two (2) of the banks, Lone Star being one of them submitted a two (2) year contract the committee recommended, overall after looking at all the scenarios and the.

Judge Hinojosa - There is no committee, let's get it straight, there is no committee. There's other people that were in these committees, before in the past, there is no committee. I tried to get a committee appointed involving different individuals, you all didn't want it, you voted it down, so don't talk about committees.

Commissioner Cascos - Let me rephrase this, the Auditor, our Counsel and the County Treasurer had the opportunity to look at these proposals, once again, and they, I figured unanimously, the three (3) made a recommendation after looking at all the big scenarios, and they looked at it. I don't believe that any of us here, in depth looked at these, I did not.

Judge Hinojosa - I did.

Commissioner Cascos - Looked in depth at these proposals, ok, and maybe had we would come up with a different solution, We appointed, let me take that back, we asked the advice of three (3) people, the Auditor, who's independent; the Counsel, who's independent; and the County Treasurer, who's independent; and they came up with a recommendation. And it's unfortunate that Eddie is not here again, but I believe, that if we are going to award two (2) year, that we are not giving the other Banks the opportunity to provide a two (2) year; so my recommendation is scrap the process, and start over again. If we, I don't know what we can do legally, but go on a month to month, with the existing bank, let everybody know, you know what, don't even bring us a four (4) year contract bring us a two (2) year contract and start the bidding process over again, and then, Judge, appoint a committee. It can be the same three, four (4), five (5), appoint a committee, and let's do this right. You know the four (4) year contract was the best proposal, the two (2) year contract we can maneuver and massage, and say whatever we want, but the four (4) year contract was a legitimate contract. It was the best bid. I just feel that the best or right thing to do. Now, let me, and I don't know if you guys, except for Ray, but just to clarify a point, when the contract was awarded, I don't recall you all just having just one (1) location, I know the Judge says you did, I don't remember quite frankly.

Mr. Saul Ortega, First National Bank - We had one (1) in Harlingen and one (1) in Port Isabel, at that time.

Commissioner Cascos - At the time the contract was awarded.

Mr. Ortega - That's correct.

Commissioner Cascos - I just wanted to make sure, I didn't remember, I'm sorry.

Mr. Ortega - AJudge, I know you've made your mind up, can I speak to the Court.®

Judge Hinojosa - AIt's a free country.®

Mr. Ortega - AThank you, we've had the account for two (2) years and we really appreciate the business. You know, that's what we are in business for. Obviously, the County has a bidding process it is done for a reason. Like you say, the purpose of trying to get the best deal at the time. Basically, there's about five (5) points in this bid, very quickly, the county keeps about 22.5 million dollars in the checking account and that's a fact. We've had the account for two (2) years that's a fact, that's what you keep, that's your average.®

Judge Hinojosa - AThat's why the numbers are a little higher than what was suggested.®

Mr. Yates - AWell, there's a difference between DDA (Demand Deposit Accounts) and NOW Accounts and Money Market Accounts.®

Mr. Ortega - ABasicly we are paying the same rate.®

Judge Hinojosa - AIt comes out the same.®

Mr. Ortega - AWell, basically, what we've offered is a fixed rate, 4.25%. You are looking at a difference of about 96 basis points. If you take this and look at it on an annual basis, I'm not going to predict the rates, but that's what we've offered 4.25%. If you look at it for the next year, if rates stay about this level, they are estimated to go down a few basis points, maybe fifty, maybe less than fifty, basically the county is leaving on the table the first year about \$204,000.00 in interest, you know, is that's a lot of money? That's a lot of money.®

Judge Hinojosa - AThat's like predicting the weather, you are predicting things that no one knows what's going to happen. If inflation goes up, interest rates could go up we've never had lower interest rates than what we have today, not in the last twenty (20) or so years, is that true?®

Mr. Ortega - Athey've been lower, Judge.®

Judge Hinojosa - AWell, I don't remember them being this low.®

Mr. Ortega - AThe last time, go round, they were lower, basically there is a difference of 96 basis points \$205,000.00 gives you a lot of room for the rates to go up. Locations, we've got one in Brownsville, we've got one under construction, we've got property in Los Tomatoes, we've got property in 802 and Military Road, we've got one on Boca Chica. Basically, those branches are going to be built pretty quickly, we've got two (2) in Harlingen, we've got one (1) in Port Isabel that's already there and we've got one (1) under construction. Lone Star doesn't have one (1) bank, they don't have a bank yet. They are fixing to have one (1). Basically that's where we're at. Positive Pay, that was in the specs we're just following the specs, you asked for it we got, we have it available, they don't.®

Judge Hinojosa - AHold on, I thought you were just going to comment on the interest rate, everybody's made proposals here. We are not here to rehear all these proposals all over again. I don't want the Lone Star people to get up here and make their proposals, and bring in IBC and have them make their proposals.®

Mr. Ortega - AThank you, Judge.®

Judge Hinojosa - AWe've heard your proposals.®

Commissioner Garza - AI just have a question. Who gives us a better rate?®

Judge Hinojosa - ALone Star Bank, on the variable rate.®

Commissioner Garza - AOn the variable rate. Have we ever had a fixed rate in our Bank Depository Contracts in the past?®

Mr. Yates - AYes, we've incurred, in the last four (4) years 4.25% on our DDA.®

Commissioner Garza - AIn the last four (4) years.®

Mr. Yates - AIt appeared a good idea, at the time.®

Judge Hinojosa - AIt appeared a good idea, at the time. What did it end up being? What did the variable rates end up being for two (2) years, during that period of time.®

Mr. Yates - AWell, we shifted to our outside investment pools.®

Judge Hinojosa - AYou didn't answer my question on that.®

Commissioner Garza - AAgain, I'm not talking about outside pools. I understand that concept and I understand prudent investments, I'm talking about our contract with the bank, in whether or not we have a variable or a fixed. And what would of been most beneficial?®

Mr. Yates - AIt depends on what accounts you are referring to.®

Commissioner Garza - AI'm talking about our bank deposits, Mr. Yates.®

Mr. Yates - A4.25%, that's our floor.®

Judge Hinojosa - AWell, but you said that there was a fixed rate.®

Mr. Yates - AIt is a fixed rate.®

Judge Hinojosa - AWell, the question then is, had we had a variable rate the last two (2) years, we would of made substantially more money, right? Based upon what the interest rates were.®

Mr. Yates - AIf we had kept all our funds in our current depository, you are correct, based on 4.25%.®

Commissioner Cascos - ADo we keep all our money in our depository?®

Mr. Yates - ANo, because in our annual report, we are averaging in investments 6.03%.®

Commissioner Cascos - AWhere, in TexPool?@

Mr. Yates - AAll investments.@

Judge Hinojosa - AThe first day you came up here, and said, Mark, was that the average deposit at the NOW account was the bank and how you computed the \$6,000.00 was \$12,000,000.00 and that-s.@

Mr. Yates - AYou are correct. And I had to go back to our. See, we hadn't used NOW accounts and the NOW account, I'm sorry Money Market accounts, as an investment tool in a number of years.@

Commissioner Garza - AWell, again, can I have my question answered, though?@

Mr. Yates - ACould you restate your question?@

Commissioner Garza - AWe, as a County, have a certain amount of money in bank deposits year round. In the ideal world everything would be pooled and invested at higher rates, but we don't operate in this ideal world. My question.@

Mr. Yates - AWe do sometimes.@

Commissioner Garza - AWell, not totally Mark, because I got, they're saying we have an average of \$22,000,000.00 in the bank.@

Mr. Yates - ARight.@

Commissioner Garza - ASo that-s a considerable sum. My question to you is, in the last two (2) years if we would of had a variable rate versus a fixed rate, had the county benefited or not? Simple.@

Mr. Yates - AWell it is a simple question, if that is the reality to answer the question on.@

Commissioner Garza - AYeah, well I want that reality to be there.@

Mr. Yates - AEach bank there are CD-s at different rate and it varies, depending on when you peg them, they have NOW Accounts, Money Market Accounts, Demand Accounts, and each paying different rates, but we knew in our Demand Accounts, if rates fell below 4.25%, we knew, we could push all our money into Demand Accounts. Now, if the variable rate was much higher on the market, at the time, then we have an Investment Policy, approved by the Commissioners Court, which strategy, each based on each fund, that we would push money into the higher variable rates up to 65% of our total outstanding assets in cash to the pools and they would be paying at a higher rate. We also had the opportunity to invest in CD-s outside of our Depository that may be paying higher rates, also. If we had all our money in one account, and I think, I don't know the specific rates that we would use between NOW accounts or for Money Market accounts as a benchmark saying well if we put here we have so much more money because that has not been the reality in the last two (2) years. Because we have looked at prudently where interest rates were and it followed the

highest rates for investments, so based on that, if and I don't have the market trend memorized, at this point in time, but I did provide an analysis based on 4.25% and where a variable rate at a another bank may be, and show you over the past two (2) years what the difference may be. But, I don't have the market memorized at this point in time, but as the Judge said the Market the Interest Rates the FED rates the FED that the banks pay have dropped two (2) basis points.®

Judge Hinojosa - AIn two (2) months, two or three months.®

Mr. Yates - A2%, and there is, also.®

Commissioner Garza - AWhich probably means that the variable would of been higher, right?®

Mr. Yates - AYes, the variable would have been higher, and I don't know what it is as of today, but there is also discussion that the rates would have dropped 25 or 50, which means.®

Commissioner Cascos - ACommissioners, again one more thing, that we are talking apples and oranges here we are talking four (4) years, two (2) years, differences of rates. Maybe had we specked out the original proposal on a two (2) year, we may have gotten a better deal. I mean, if we are going to be prudent investors, and prudent everything else, and conservative, which is a word that is somewhat foreign, but may we ought to go out and rebid for a two (2) year contract and get all the banks at the same level.®

Judge Hinojosa - ALet's get something straight, hold on, First National Bank submitted a bid on a variable rate, the only problem is that their variable rate was lower than Lone Star Bank. They submitted an alternative bid on a variable rate.®

Commissioner Cascos - ABut only on a four (4) year contract.®

Judge Hinojosa - AWell, they submitted a bid on a variable rate. A variable rate is the rate that is going to be going at any point, I don't know that whether the four (4) year contract. They are wed to the four (4) year contract on the variable rate, the information I got is the four (4) years that they talked about that we were bound by was on the 4.25%, it might of been that, as well on the variable rate.®

Mr. Yates - AThe variable rate by 25 basis points as rate at like maturity, and I guess that rates above 15,000,000 at 25 basis points per both. Is that correct, or is there a different one?®

Judge Hinojosa - AYeah, it's the same thing. It's the 25 basis points below the T-bill rate.®

Commissioner Cascos - AJudge, I think, my interest, as it is yours, is to get the best interest rate that we can. I just feel the bids, there must have been some, I guess, misinformation or misinterpretation, go out and rebid. If we can do it that legally, rebid it out and get a two (2) year contract from every bank.®

Mr. Yates - In investments, if the longer the duration of the contract, the more risk investors have, and most likely, each of the banks can attest, the longer your duration the more risk you have. And that's what the Judge is talking about, the risk of the duration. So, the longer the duration the more conservative a bank is most likely to be, because, as the Judge said, we don't know where the rates are going to be. They will be more conservative to protect their bottom line, so they will not offer as much on a shorter duration two (2) year period of a contract, then there is enough to be more aggressive, then you know your exposure is two (2) years and not four (4) years. Is that not pretty much correct?@

Judge Hinojosa - Well, ok, all I can tell you is this, I mean let me just make a couple of points, we need to move on this issue. All I can tell you is two (2) things, for some reason we were told this needed to be done today, everybody here heard those words, it had to be done today.@

Commissioner Cascos - It had to be done before the expiration of May 31st.@

Judge Hinojosa - That's right, today is the last meeting before may 31st.@

Mr. Ortega - It expired on April 30th.@

Judge Hinojosa - I'm telling you what we were told today. I mean, last week we were told it had to be done by today. There was no time to appoint a committee. I tried to get a committee appointed, it didn't work. We talked about all these members on this committee. You know, I'm the Chief Executive Officer of the County. I took a look at these, this is my recommendation. Pete was on the committee last time around, he's making a recommendation, and his suggestion is also to go with Lone Star Bank. And the additional thing that I want to point out is this, is that we've never failed, never failed, by going to a two (2) year contract. Had we been on a four (4) year contract right now we'd be stuck on a 4.25%, that we were stuck with last time around, we'd be losing tons of money. We would have lost tons of money up to the first two (2) years, because of the interest rates that were before.@

Commissioner Cascos - How many tons.@

Judge Hinojosa - How many?. Everybody knows that the interest rates were substantially higher than that.@

Commissioner Cascos - Well, but you had the opportunity to move it over to another instrument. How much have we lost?@

Judge Hinojosa - We accepted the recommendation of the committee that time, and we ended up getting a fixed rate which ended up being below what the variable rate was during that period of time. Now, right now sure the interest rates are low, but no one can predict where they are going to be at a month from now, much less six months from now or a year from now. And I think, that our job is to be prudent investors, that's the bottom line. And a prudent investment policy means you follow the most conservative policy, which brings you the most amount of revenue for the County.

That's why I believe this proposal is the best proposal so with that let's just call the question. Any further discussion? All those in favor?@

Commissioner Garza - AJudge.@

Judge Hinojosa – AI'm sorry.@

Commissioner Garza - AJudge, just one (1) question of legal. You don't have a problem with any of the discussion transpired today in regards with contract?@

Mr. Wright - AWhat specifically would be the problem?@

Commissioner Garza - AAnything that has been discussed in relation to the bank depository contract being awarded today, at this meeting.@

Mr. Wright - ADo you have something in mind, Commissioner, or just in general terms?@

Commissioner Garza - ANo sir.@

Mr. Wright - AWell, I just want to get a clarification. Let me, by the way of just an overview, what you've been asked to do during the general term of the month of May is to select a depository contract. And that's what the legislature, in its infinite wisdom, says that you all should do. The fact is, there's a process, if you don't get this done during the month of May, for selecting a depository contract. They understand that things don't always work, in a perfect world. So, there's a process and your going to have a depository someplace to put your money. So there's a process, other than this as far as making a decision today, which you can do that, ok. That's the first point, I want to make. Second, things as far as how we've gone about doing. Actually the Court and the County has taken a very high road in trying to evaluate and determine what's in the best interest to the County. We've talked in terms of this being a bidding process, which locks the County in, in a lot of ways, into saying, what's the best deal, and we can't vary from that, and once we get a bid, and we don't negotiate. After that, there's a lot of things that really don't fit a banking situation, because as the Judge has alluded to were are going to have to negotiate a contract, that talks to a lot of things, from security stand point, that otherwise have got to be met. To answer your question specifically, there is a case right in point with regards as to just how much discretion this forecast is making its decision. And it says: basically, we've got a lot of discretion, it comes down to what you, as a majority, decide is in the best interest to the County. The language of the case says ›in the selection of a bank as a County Depository, is a matter of discretion with the Commissioners=Court and its decision is final, in the absence of gross abuse of such discretion=. So, we've tried to take a very high road, we've looked at it, we've analyzed it, in this case, and, and I want, this should be made clear, the committee never met. The old committee never met. I've not once met with Mark Yates or Eddie to discuss this thing as a committee. All of this

information, just like you, was filtered down to you on an individual basis and myself also. So, at this point it comes down to the meeting of the minds of three of you, as to where you think the best place to put County's money is.

Judge Hinojosa - AOf at least three.

Commissioner Garza - AFive of us, hopefully.

Mr. Wright - AHopefully five.

Judge Hinojosa - AFive of us. Yeah.

Commissioner Garza - AYes, Thank you Judge.

Judge Hinojosa - AAlright, now, I'll call the question, all those in favor signify by stating AYE.

Commissioners Benavides, Garza and Valencia and Judge Hinojosa,

Judge Hinojosa - AAll those opposed?

Commissioner Cascos - ANay. I'm going, again, to, Nay. Not referring to the Bank. But, I think, that we should have gone out to rebid this because of the way it was presented, we should have given every bank an opportunity to rebid a two (2) year contract. Thank You.

Judge Hinojosa - AMotion carries.

Nellie Garcia, County Clerk's Office - AThat was one (1) Nay?

Judge Hinojosa - AOne Nay. Four one.

Mr. Arturo Farias, Lone Star Bank - AJudge and Commissioners, thank you for the opportunity. Lone Star National Bank was recognized as ARural Lender of the Year in the United States of America= by the Small Business Administration. And, so we have led all Valley Banks in the number of SBA loans and we are looking forward to utilizing the funds that are being invested in our banks to be lend out to small businessmen, that's our niche. So I appreciate that you all are having faith in us, and I think that we will not let you down, and we will give you the best service that you all deserve. Thank You.

Judge Hinojosa - AThank you, well, we expect that, so thank you very much.

(7) **AUTHORIZATION TO HOLD A PUBLIC HEARING
TO DISCUSS ELIGIBLE PROJECTS FOR STATE
AND LOCAL COASTAL IMPACT ASSISTANCE
PROGRAM (CIAP) FUNDS**

Upon motion by Commissioner Garza, seconded by Commissioner Valencia and carried unanimously, the Hearing to discuss eligible Projects for State and Local Coastal Impact Assistance Program (CIAP) Funds was opened for public comments.

At this time, Mr. Javier Mendez, Parks System Director, reported that General Land Office had clarified that the local fund applications had to go through the County, but the State fund applications could go directly to the State. He reported that the Committee met, evaluated each application, interviewed the applicants and summarized their recommendations on the following Report:

Judge Hinojosa noted that he favored Option II.

Commissioner Cascos stated that he favored Option III, because it covered all the local projects, as well as the State funded Projects, noting that all three Options used the same amount of money, but Option III was more diverse and spread the money to more projects.

Mr. Doug Wright, Commissioners-Court Counsel, noted that the Committee unanimously recommended Option II, and the Committee recommended to support all the applications for the State funds.

Hearing and sensing no further comments, upon motion by Commissioner Garza, seconded by Commissioner Valencia and carried unanimously, the public hearing to discuss eligible projects for State and Local Coastal Impact Assistance Program (CIAP) Funds was closed.

(8) **ACTION ON THE SELECTION OF PROJECTS
BEING SUBMITTED TO TEXAS GENERAL LAND
OFFICE FOR COASTAL IMPACT ASSISTANCE
PROGRAM (CIAP) FUNDING**

Commissioner Cascos moved that the Option II Projects be selected, as recommended by the Committee, with the amendment for funding for Boca Chica Beach, as the projects being submitted to General Texas Land Office for Coastal Impact Assistance Program (CIAP) Funding.

The motion was seconded by Commissioner Garza and carried unanimously.

(9) **POSSIBLE ACTION REGARDING THE INFORMAL
BIDS RECEIVED FOR THE TECHNOLOGY
CENTER BUILDING AT LA ESPERANZA PARK**

Mr. Javier Mendez, Parks System Director, explained that the amount of \$7,500.00 was budgeted for the technology center and that the lowest bid received was \$13,134.00, and the suggestion was made for the Budget Officer to determine the funding source.

Commissioner Valencia moved that the lowest informal bid received for the Technology Center Building at La Esperanza Park be approved, subject to the allocation to be determined by the Budget Officer.

The motion was seconded by Commissioner Cascos and carried unanimously.

(10) AUTHORIZATION TO PAY LICENSE FEE FOR COUNTY ENGINEER AND ASSISTANT ENGINEER

Upon motion by Commissioner Valencia, seconded by Commissioner Garza and carried unanimously, the License Fee Payment for the County Engineer and Assistant Engineer were approved.

(11) APPROVAL TO ALLOCATE \$6,000.00 FOR NEW RADIO FREQUENCIES FOR FUTURE EXPANSION TO THE SHERIFF-S OFFICE RADIO COMMUNICATIONS

Commissioner Cascos moved that the amount of \$6,000.00, be allocated for new radio frequencies for future expansion to the Sheriff-s Office Radio Communications.

The motion was seconded by Commissioner Valencia and carried unanimously.

(12) AUTHORIZATION TO UPGRADE CURRENT SUPPORT PHONE NUMBER TO AN 800 NUMBER FOR RESTRICTED COMPUTER ACCESS BY AUTHORIZED USERS

Upon motion by Commissioner Garza, seconded by Commissioner Valencia and carried unanimously, the current support phone number to an 800, number for restricted computer access by authorized users, was upgraded.

CONSENT ITEMS

ALL ITEMS UNDER THE CONSENT AGENDA ARE HEARD COLLECTIVELY UNLESS OPPOSITION IS PRESENTED, IN WHICH CASE THE CONTESTED ITEM WILL BE CONSIDERED, DISCUSSED, AND APPROPRIATE ACTION TAKEN SEPARATELY

Commissioner Benavides moved that the AConsent@ Agenda Items be approved as follow:

The motion was seconded by Commissioner Valencia and carried as follows:

AYE: Commissioners Benavides, Cascos and Valencia,

NAY: None,

ABSTAIN: Judge Hinojosa as to Southwest Key Program, Warrant No. 56673, in the amount of \$40,862.50; and Commissioner Garza as to The Medicine Shoppe, Warrant No. 56596, in the amount of \$1,030.36.

**13) APPROVAL OF COUNTY CLAIMS;
The Affidavits follow:**

- 14) **APPROVAL OF A RENEWAL OF THE LEASE AGREEMENT FOR THE STORAGE OF VEHICLES BY THE CAMERON COUNTY TASK FORCE;**
The Agreement follows:
- 15) **APPROVAL OF A RENEWAL OF THE LEASE AGREEMENT FOR OFFICE SPACE FOR THE CAMERON COUNTY TASK FORCE;**
The Agreement follows:
- 16) **AUTHORIZATION TO RENEW THE CONTRACT SERVICE AGREEMENT WITH UNIVERSAL WEATHER AND AVIATION, INC.(IMPACT WEATHER-WEBSITE) FOR THE HURRICANE SEASON JUNE 1 THROUGH NOVEMBER 30, 2001;**
The Contract follows:
- 17) **REAPPOINTMENT OF DR. VICTOR M. GONZALEZ, JR., M.D., FAAFP;**
The Contract follows:
- 18) **AUTHORIZATION TO AMEND AGREEMENT WITH TEXAS STATE TECHNICAL COLLEGE;**
The Amendment follows:
- 19) **AUTHORIZATION FOR FINAL APPROVAL:**
 - A) **PRECINCT NO. 4 - LA GLORIA CANAL PHASE II SUBDIVISION - BEING A 30.16 ACRE, MORE OR LESS, TRACT OF LAND SITUATED IN AND BEING A PART OF ABSTRACT NO .10 TRACT OF THE LA GLORIA TRACT IN LA FERIA GRANT, CAMERON COUNTY, TEXAS, SAID 30.16 ACRES BEING PART OF A 206.56 ACRE TRACT OF LAND SITUATED IN SAID LA GLORIA TRACT AND IS DESCRIBED BY DEED OF RECORD IN VOLUME 1090, PAGE 841;**
- 20) **AUTHORIZATION FOR PRELIMINARY APPROVAL:**
 - A) **PRECINCT NO. 4 - LIMON DEL VALLE SUBDIVISION - BEING 5.51 ACRES OUT OF THE NORTH HALF OF BLOCK NO. 16, ORANGE GROVE PARK SUBDIVISION; AND**
 - B) **PRECINCT NO. 4 - VISTA DEL SOL NO. 3 SUBDIVISION - BEING THE NORTH 15.12 ACRES OUT OF BLOCK NO. 159, ADAMS GARDENS SUBDIVISION AC.**

TRAVEL ITEMS

- 21) **AUTHORIZATION TO TRAVEL/OR APPROVAL EXPENSE FOR THE FOLLOWING (PLEASE NOTE: TRAVEL REQUESTS ARE SUBJECT TO ALL APPLICABLE COUNTY POLICIES):**

At this time, Ms. Juanita Brodecky, Rio Hondo resident, noted that thirty-two (32) employees would be absent from work a total of fifty-five (55) days.

- A) Juvenile Probation employee to attend the Texas Victim Assistance Academy[®] offered by the Office of the Attorney General through Federal Grant, in San Marcos, Texas, on June 10-15, 2001;

- B) Four (4) Juvenile Probation employees to attend the AUnderage Drinking Enforcement Training and Local Policy Options Training®, in McAllen, Texas, on May 31- June 1, 2001;
- C) Planning Development and Management Director to attend the AU.S. Department of Housing and Urban Development Renewal Community and Round III Empowerment Zone Technical Assistance Workshop,® in Fort Worth, Texas, on June 18-20, 2001;
- D) County District Attorney to attend the ASouth Texas HIDTA Executive Committee Meeting®, in San Antonio, Texas, on June 25-26, 2001;
- E) Unit Director to attend the ASouth Texas HIDTA Executive Committee Meeting®, in San Antonio, Texas, on June 25-27, 2001;
- F) Sheriff-s Department Sergeant to attend the AFirearm Instructor Certification Course®, in San Benito, on June 4-8, 2001;
- G) Sheriff-s Department Sergeant to attend the APolice Emergency Driving Instructor Course®, in Bryant, Texas, on June 17-23, 2001;
- H) Sheriff-s Department Sergeant and Lieutenant to attend the ATactical Command and Decision Making School®, in Houston, Texas, on June 10-12, 2001;
- I) District Clerk six (6) and County Clerk six (6) employees to attend the AAnnual Conference of the County & District Clerk Association of Texas®, in South Padre Island, Texas, on June 10-12, 2001;
- J) County Treasurer to attend the A2001 County Investment Officer Level II Continuing Education Seminar®, in Corpus Christi, Texas, on June 14-15, 2001;
- K) County Judge, International Bridge System Director and Community Outreach Coordinator to meet with the North American Development Bank Officials regarding the West Rail Relocation and Solid Waste Disposal Collection, in San Antonio, Texas, on May 22, 2001;
- L) Six (6) District Attorney employees to return leased vehicles to CAPPs, in San Antonio, Texas, on May 25, 2001;
- M) Three (3) District Attorney employees to attend the ATNIS, CLERIS AND CFR 28 Training® at the Public Safety Office, in Austin , Texas, on May 29-31, 2001; and
- N) Planning Development and Management Director to attend a meeting with the Texas Historical Commission regarding the schematic design of the Dancy Building, in Austin, Texas, on May 30, 2001.

At this time, Commissioner Cascos requested that an Item be placed on the Agenda to consider whether the Roberts Rules of Orders were going to be adopted to conduct the Meetings, and if not, what set of guidelines were going to be followed.



13) Approval of County Claims.

The Affidavits follow:

- 14) **APPROVAL OF A RENEWAL OF THE LEASE AGREEMENT FOR THE STORAGE OF VEHICLES BY THE CAMERON COUNTY TASK FORCE.**

The Agreement follows:

- 15) **APPROVAL OF A RENEWAL OF THE LEASE AGREEMENT FOR OFFICE SPACE FOR THE CAMERON COUNTY TASK FORCE.**

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The Contract follows:

17) REAPPOINTMENT OF DR. VICTOR M. GONZALEZ, JR., M.D., FAAFP.

The Contract follows:

18) AUTHORIZATION TO AMEND AGREEMENT WITH TEXAS STATE TECHNICAL COLLEGE.

The Amendment follows:

[REDACTED]

EXECUTIVE SESSION

22) **EXECUTIVE SESSION**

Upon motion by Commissioner Garza, seconded by Commissioner Valencia and carried unanimously, the Court met in Executive Session at 6:50 P. M. to discuss the following matters:

- A) **To authorize Legal representation and confer with Commissioners= Court Legal Counsel concerning the status of the case styled Antonio Bejaran, Jr., v.s. John Cruz, et al., Civil Action No. B-01-075; pursuant to Vernon Texas Code Annotated (V.T.C.A.), Government Code, Section 55.1071 (1)(A)**

Upon motion by Commissioner Garza, seconded by Commissioner Cascos and carried unanimously, the Court reconvened in Regular Session at 6:59 P. M.

23) **ACTION RELATIVE TO EXECUTIVE SESSION**

- A) **To authorize Legal representation and confer with Commissioners= Court Legal Counsel concerning the status of the case styled Antonio Bejaran, Jr. v.s. John Cruz, et al., Civil Action No. B-01-075.**

Commissioner Cascos moved that Commissioners=Court Legal Counsel be authorized to represent the County only and only the County in said litigation, concerning the case styled Antonio Bejaran, Jr., vs. John Cruz, et.al., Civil Action No. B-01-075.

The motion was seconded by Commissioner Garza and carried unanimously.

[REDACTED]

There being no further business to come before the Court, upon motion by Commissioner Cascos, seconded by Commissioner Garza and carried unanimously, the meeting was **ADJOURNED** at 7:00 P. M.

APPROVED this **12th** day of **JUNE, 2001**.

GILBERTO HINOJOSA
COUNTY JUDGE

ATTEST:

JOE G. RIVERA
COUNTY CLERK AND EX-OFFICIO CLERK
OF THE COMMISSIONERS' COURT OF
CAMERON COUNTY, TEXAS.