FINANCIAL MANAGEMENT SERVICES
1000 THROCKMORTON STREET
FORT WORTH, TEXAS 76102

WWW.FORTWORTHTEXAS.GOV/FINANCE

Financial Management Policy Statements

To establish and document a policy framework for fiscal decision-making, the City Manager will develop and maintain a comprehensive set of Financial Management Policy Statements. The aim of these policies is to ensure that financial resources are properly managed to meet the present and future needs of the citizens of Fort Worth. Specifically this policy framework mandates the pursuit of the following fiscal objectives:

I. ***Revenues:*** Design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired City services.

II. ***Expenditures:*** Ensure fiscal stability and the effective and efficient delivery of services, through the identification of necessary services, establishment of appropriate service levels, and careful administration of the expenditure of available resource.

III. ***Fund Balance/Net Position:*** Maintain the fund balance and net position of the various operating funds at levels sufficient to protect the City's creditworthiness as well as its financial position from emergencies.

IV. ***Capital Expenditures and Improvements:*** Review and monitor the state of the City's capital assets, setting priorities for the addition, replacement, and renovation of such assets based on needs, funding alternatives, and availability of resources.

V. ***Debt:*** Establish guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues.

VI. ***Interfund Loans:*** Establish guidelines for loans between funds.

VII. ***Investments:*** Invest the City's cash in such a manner so as to ensure the safety of principal and interest, to meet the liquidity needs of the City, and to achieve the highest reasonable market yield

VIII. ***Intergovernmental Relations:*** Coordinate efforts with other governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis and support favorable legislation at the state and federal level.

IX. ***Grants:*** Seek, apply for and effectively administer federal, state, and foundation grants-in-aid, which address the City's current priorities and policy objectives.

X. ***Economic Development:*** Initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.

XI. ***Fiscal Monitoring:*** Prepare and present regular reports that analyze, evaluate, and forecast the City's financial performance and economic condition.

XII. ***Financial Consultants:*** Seek out and employ the assistance of qualified financial advisors and consultants as needed in the management and administration of the City’s financial functions.

XIII. ***Accounting, Auditing and Financial Reporting:*** Comply with prevailing federal, state, and local statutes and regulations, as well as current professional principles and practices.

XIV. ***Retirement System:*** Ensure that the Employees' Retirement Fund is adequately funded and operated for the exclusive benefit of the participants and their beneficiaries.

XV. ***Internal Controls*****:** Establish and maintain an internal control structure designed to provide reasonable assurance that City assets are safeguarded and that the possibilities for material errors in the City's financial records are minimized.

XVI. ***E-Commerce*****:** To fully utilize available technologies to expedite cash payments and receipts, enhance employee productivity, and provide customer satisfaction.

I.

REVENUES

To design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired City services.

A. ***Balance and Diversification in Revenue Sources***

The City shall strive to maintain a balanced and diversified revenue system to protect the City from fluctuations in any one source due to changes in local economic conditions, which adversely impact that source.

B. ***User Fees***

For services that benefit specific users, the City shall establish and collect fees to recover the costs of those services. The City Council shall determine the appropriate cost recovery level and establish the fees. Where feasible and desirable, the City shall seek to recover full direct and indirect costs. User fees shall be reviewed on a regular basis to calculate their full cost recovery levels, to compare them to the current fee structure, and to recommend adjustments where necessary.

C. ***Property Tax Revenues/Tax Burden***

The City shall endeavor to reduce its reliance on property tax revenues by revenue diversification, implementation of user fees, and economic development. The City shall also strive to minimize the property tax burden on Fort Worth citizens.

D. ***Utility/Enterprise Funds User Fees***

It is the intention of the City that all utilities and enterprise funds be self-supporting. As a result, utility rates and enterprise funds user fees shall be set at levels sufficient to cover operating expenditures, meet debt obligations, provide additional funding for capital improvements, and provide adequate levels of working capital. The City shall seek to eliminate all forms of subsidization to utility/enterprise funds from the General Fund.

E. ***Administrative Services Charges***

The City shall establish a method to determine annually the administrative services charges due the General Fund from enterprise funds for overhead and staff support. Where appropriate, the enterprise funds shall pay the General Fund for direct services rendered.

F. ***Revenue Estimates for Budgeting***

In order to maintain a stable level of services, the City shall use a conservative, objective, and, analytical approach when preparing revenue estimates. The process shall include analysis of probable economic changes and their impacts on revenues, historical collection rates, and trends

in revenues. This approach should reduce the likelihood of actual revenues falling short of budget estimates during the year and should avoid mid-year service reductions.

G. ***Revenue Collection and Administration***

The City shall maintain high collection rates for all revenues by keeping the revenue system as simple as possible in order to facilitate payment. In addition, since revenue should exceed the cost of producing it, the City shall strive to control and reduce administrative costs. The City shall pursue to the full extent allowed by state law all delinquent taxpayers and others overdue in payments to the City

H. ***Write-Off of Uncollectible Accounts***

The City shall monitor payments due to the City (accounts receivable) and periodically write-off accounts where collection efforts have been exhausted and/or collection efforts are not feasible or cost-effective.

I. ***Revenues from Gas Leases and Pipeline Agreements*** (M&C G-14767, April 26, 2005; M&C G-15715, May 8, 2007; M&C G-16013, January 8, 2008; July 21, 2009 M&C G-16632)

1. Trust/Endowment Fund

   a. The City shall establish a Trust Fund that will be structured and governed in such a manner to achieve maximum investment flexibility, maximum investment protection, and professional investment management. The trust will be managed to ensure the long-term preservation and growth of the trust principal.

   b. The Trust will be managed by a corporate trustee appointed by the City Council in accordance with the City Charter and the State Local Government Code. The City's Chief Financial Officer (CFO) will be empowered to make fund management decisions and recommendations that are consistent with an adopted investment policy of the City Council. The CFO shall serve as the financial guardian of the Trust ensuring fiscal stability, overseeing the Trustee that is appointed by the City Council, monitoring fund performance and recommending to the City Council the amount of funds available for disbursement annually, in accordance with *Section f*. The CFO shall be excluded from making specific expenditure decisions, which will be made by the City Council upon recommendation by the City Manager.

   c. The Trust instrument may be substantively amended upon the affirmative vote of at least three-fourths of the City Council. Prior to such vote, the City Council shall hold three public hearings. Any vote to substantively amend the Trust instrument shall occur six or more months after the initial public hearing.

   d. To the extent not in conflict with any other common law or any other statutes applicable to the Trust Fund, the trustee shall retain all powers granted to trustees by the Texas Trust Code, and particularly is to have the power to invest and reinvest the trust estate in accordance with the goals and stipulations of the governing trust instrument.

e. The determined percentage of bonus and royalty revenue from various sources are to be held in a consolidated account which will be divided into different sub-accounts and such other sub accounts that may be approved by the City Council including, but not limited to, the General Endowment Gas Lease Fund, the Aviation Endowment Gas Lease Fund, the Park System Endowment Gas Lease Fund, the Nature Center Endowment Gas Lease Fund, and the Water and Sewer Endowment Gas Lease Fund.

f. The goal of the Trust Fund is to produce income from investments and be a long-term source of revenue for the benefit of both present and future citizens of Fort Worth. The trustee, in close cooperation with the CFO, will recommend to the City Council distribution procedures for the different funds of the trust consistent with the goal to preserve, as well as increase, the principal of the trust. The amount of income available to be distributed each year from a particular fund of the trust shall be determined by the trustee and the CFO by July 1 of each year and shall be based on a spending rule which allows for reasonable growth of the principal. In the event that investment regulations prohibit the intended growth and expansion of the trust, a provision for dissolution of the trust will be incorporated into the initial trust instrument. Dissolution of the Trust will first require a determination and recommendation of the Corporate Trustee and the CFO.

2. Amendment of the Public Funds Investment Act

During the 81st Legislative Session, the Public Funds Investment Act (State of Texas Local Government Code Chapter 2256) was successfully pursued in order to maximize investment flexibility. Amendments to the Act were consistent with the Uniform Prudent Management of Institutional Funds Act (State of Texas Property Code Chapter 163.005).

3. Ad Valorem Tax Revenue Management

The ad valorem receipts on mineral valuations will be allocated to the general fund.

4. Gas-Related Revenue Management

a. Water and Sewer Fund

Bonus, royalty and other natural gas related fee revenue derived from Water and Sewer assets, including pipeline easements and license agreements, will be allocated in the following manner, subject to compliance with the Master Ordinance No.10968 and, upon appropriate action by the City Council declaring a surplus in the Water and Sewer Fund on an annual basis in accordance with state law.

Funds from Water and Sewer property and park land located in and around Lake Worth (except the Nature Center and Refuge) shall be designated for qualified expenditures in the development and execution of the 2007 Lake Worth Capital Improvement Implementation Plan, until such time as the plan projects are completed.

All other revenue derived from Water and Sewer assets will be allocated as follows unless a surplus is declared for the purpose of funding other City projects:

i. Fifty percent to Water and Sewer Gas Lease Capital Projects Fund.

ii. Twenty-five percent of the revenues will be allocated to the Water and Sewer Endowment Gas Lease Fund; and

iii. Twenty-five percent of the revenues will be allocated to the Utility Street Reconstruction Capital Improvement Projects Fund.

b. Parks Bonuses

Bonus revenues from gas leases associated with park land will be recorded in the Park Gas Lease Project Fund and will be designated for use for capital improvements at the park where the gas leases are located.

c. Federal/State Restricted Park Royalties and Fees

Royalties and other fees received from gas leases or license agreements associated with park land that has federal and/or state restrictions requiring proceeds to be spent within the park system, except for the Nature Center, shall be allocated as follows:

i. Fifty percent to the Park Gas Lease Project Fund; and

ii. Fifty percent to the Park System Endowment Gas Lease Fund.

d. Fort Worth Nature Center and Refuge

Bonus revenues from gas leases associated with the Nature Center will be allocated first to establish the Nature Center Endowment Gas Lease Fund with $10 million. Any remaining bonus funds will be allocated 50 percent to Nature Center Capital Improvement Program to implement the Nature Center Master Plan and 50 percent to the Citywide Park Capital Improvement Projects Fund. All royalties received from gas leases associated with the Nature Center will be allocated as follows:

i. Twenty-five percent to the Nature Center Capital Improvement Program;

ii. Twenty-five percent to the Park Gas Lease Project Fund; and

iii. Fifty percent to the Park-System Endowment Gas Lease Fund

Once a total of $62 million, as adjusted with the Consumer Price Index to reflect the actual implementation schedule, in bonus, royalty and fee revenue, has been allocated to the Nature Center Endowment Gas Lease Fund and the Nature Center Capital Improvement Program, 50 percent of the subsequent revenues will be allocated to the Park Gas Lease Project Fund and 50 percent to the Park System Endowment Gas Lease Fund.

e. Municipal Golf Fund

Bonus, royalty and other natural gas related fee revenue derived from designated golf course property, including pipeline easements and license agreements, will be allocated in the following manner:

i. Fifty percent to retire existing debt in the Golf Debt Service Fund and upon retirement of all debt, the revenue will be applied to the restricted fund balance until such time that the required fund policy reserve is achieved; and

ii. Fifty percent to the Golf Gas Lease Capital Project Fund to cash fund golf capital projects.

f. Municipal Airports Fund

Bonus, royalty and other natural gas related fee revenue derived from airport property, including pipeline easements and license agreements, will be recorded in the Municipal Airports Fund and will be allocated in the following manner:

i. Fifty percent to the Airports Gas Lease Project Fund for aviation capital improvement projects; and

ii. Fifty percent to the Aviation Endowment Gas Lease Fund.

g. Pipelines in Public Rights of Way

Revenue derived from pipeline easements and license agreements in the public rights of way will be deposited to the General Fund to offset the staff costs associated with reviewing and managing the pipeline locations in relation to other utilities.

h. Property Owned by City-Affiliated Corporation

All gas-related revenues derived from property titled to any City-affiliated corporation, such as local development corporations, Alliance Airport Authority, or the Housing Finance Corporation, shall be deposited to separate accounts to support lawful activities of such corporations per the policies and oversight of their respective governing boards.

i. All Other Revenue

Except as noted in prior sections, all other revenue from bonuses, royalties and fees from gas leases, pipelines or related activities located on all other City property, including unrestricted park land, will be allocated as follows:

i. Fifty percent of the revenue will be allocated to the Capital Projects Reserve Fund; and

ii. Fifty percent of the revenue will be allocated to the General Endowment Gas Lease Fund

j. Minimum Payment Threshold

Notwithstanding anything in *Section a* through *Section i* to the contrary, if a gas lease related revenue payment is $500 or less, one hundred percent of the payment will be allocated to the respective Gas Lease Capital Projects Fund.

5. Expenditure Criteria

Expenditures for gas lease revenues derived from lease bonus and royalties, ad valorem tax revenues, other gas related revenue and distributions from the Trust/Endowment Funds shall be appropriated for one time program initiatives and capital projects which meet one or more of the program and project criteria listed below:

a. To expend on capital projects with a minimum 10-year useful life;

b. To provide matching grant funds to leverage funds for capital projects;

c. To expend on technology with a minimum 5-year useful life;

d. To contribute toward an equipment/fleet revolving replacement fund;

e. To expend on capital equipment with a minimum 10-year useful life;

f. To fund one-time community-wide economic and neighborhood development initiatives and projects;

g. To fund labor and materials associated with production, distribution and establishment activities for trees on public property (including schools and Counties.);

h. To periodically transfer gas lease revenues to the General Fund to offset budgeted administrative costs in Planning and Development, Law, and the Financial Management Services Department for the leasing program. The allocation of the cost among all gas revenue funds will be proportional to revenue collected in all funds, including the Trust/Endowment funds and City affiliated corporation funds, during that reporting period;

i. To periodically transfer Parks gas lease and pipeline revenues to the General Fund to offset program costs associated with leases, conversions, pipelines, etc.; and

j. To replenish the Unassigned Fund Balance (for the General Fund), Assigned Fund Balance (all other Governmental Funds except the General Fund), or Net Position (for Enterprise Funds), if necessary, in any designated City fund, to meet the minimum requirements established for that fund.

k. To make payments in support of arts organizations **provided, however**, that such payments may only be made using distributions from the General Endowment Gas Lease Fund and not from bonus, royalties, ad valorem tax revenues, or any other gas-related revenue.

J. ***DFW Airport Car Rental Revenue Sharing***

All revenues derived from the DFW Airport car rental revenue sharing shall be dedicated to facility improvements of the Fort Worth Convention Center and the Will Rogers Memorial Center.

K. ***Water and Sewer Payment-In-Lieu-of-Taxes (PILOT)***

The Water and Sewer Operating Fund shall make a Payment-In-Lieu-of-Taxes (PILOT) to the General Fund to offset the ad valorem taxes lost due to the non-profit status of the Water and Sewer System. The PILOT shall be calculated by applying the effective property tax rate to the net book value of the applicable assets. Assets subject to PILOT shall be limited to the assets classified as Plant and Property allocated to the retail portion of the Water and Sewer Systems.

An example of the PILOT calculation:

(Plant Assets – Accumulated Depreciation + Work in Progress) * Current Tax Rate

The Plant Assets are defined as the retail portion of audited plant and property assets of the utility as represented in the Fixed Assets Inventory and the Retail Cost of Service Rate Models. The Accumulated Depreciation is defined as the audited accumulated depreciation directly applied to the Plant Assets. The Work in Progress is defined as all audited Capital Project Expenditures not included in the Fixed Assets Inventory. The values used to complete the most recently available Comprehensive Annual Financial Report shall be used to determine the value of Plant Assets, Accumulated Depreciation and Work in Progress. The PILOT will be treated as a transfer to the General Fund from the Water and Sewer Fund, provided that the Water and Sewer Operating Net Position shall remain in excess of the reserve requirements for Operating and Debt Service Funds. The transfer shall not exceed the PILOT calculation described above in any given year.

For the purposes of revenue recovery, the amount of the PILOT will be included in annual retail cost of service studies performed by the Water Department and included in the annual operating budget. The PILOT shall be treated as an operating expense of the Water and Sewer System. One twelfth of the budgeted PILOT transfer amount shall be transferred to the General Fund monthly.

L. ***Use of One-time Revenues***

The City shall discourage the use of one-time revenues for ongoing expenditures.

M. ***Use of Unpredictable Revenues***

The City shall exercise caution with the use of unpredictable revenues for ongoing expenditures.

II.

EXPENDITURES

To ensure fiscal stability and the effective and efficient delivery of services, through the identification of necessary services, establishment of appropriate service levels, and careful administration of the expenditure of available resources.

A. ***Current Funding Basis***

The City shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of fund balance accumulated through prior year savings. (The Fund Balance/Net Position Policy Statements shall guide the use of fund balance.)

B. ***Avoidance of Operating Deficits***

The City shall take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit (i.e., projected expenditures in excess of projected revenues) is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or use of fund balance within the Fund Balance/Net Position Policy Statements. Expenditure deferrals into the following fiscal year, short-term loans, or use of one-time revenue sources shall be avoided to balance the budget.

C. ***Maintenance of Capital Assets***

Within the resources available each fiscal year, the City shall strive to maintain capital assets and infrastructure at a sufficient level to protect the City's investment, to minimize future replacement and maintenance costs, and to continue service levels.

D. ***Periodic Program Reviews***

The City Manager shall strive to undertake periodic staff and third-party reviews of City programs for both efficiency and effectiveness. As appropriate, the privatization and contracting of services with other governmental agencies or private entities will be evaluated as alternative approaches to service delivery. Programs that are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated.

E. ***Purchasing***

The City shall conduct its purchasing and procurement functions efficiently and effectively, fully complying with applicable State laws and City ordinances. Staff shall make every effort to maximize discounts and capitalize on savings available through competitive bidding and “best value” purchasing.

F. ***Fund Balance Spending Priorities*** *(M&C G-17398, September 27, 2011)*

Where an expenditure is incurred for purposes for which both restricted and unrestricted funds are available, the City will consider restricted funds to be spent before unrestricted funds. Further, if there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, the City will consider committed funds to be spent before assigned funds, and will consider assigned funds to be spent before unassigned funds.

The City Manager, or designee, may designate or commit assigned fund balances without further City Council approval. This authority only gives the ability to designate future "intended" uses of fund balance that is in excess of nonspendable, restricted, and committed amounts, and the minimum required net position (fund balance). It does not vest additional spending authority in the City Manager. Subsequent appropriations of fund balance would continue to require City Council approval.

III.

FUND RESERVE POLICY

The former Section III "Fund Reserve Policy" is replaced by specific reserve policies for each fund type. Those policies are:

Capital Projects Fund Reserve Policy

General Fund and General Debt Service Fund Reserve Policy

Enterprise Fund Reserve Policy

Internal Service Fund Reserve Policy – Insurance Funds

Internal Service Fund Reserve Policy – Non-Insurance Funds

Special Revenue Fund Reserve Policy

Glossary for Financial Management Policies

The full text of these policies can be found in Attachments A-1 through A-7 of these Financial Management Policy Statements.

IV.

CAPITAL EXPENDITURES AND IMPROVEMENTS

To review and monitor the state of the City's capital assets, setting priorities for the addition, replacement, and renovation of such assets based on needs, funding alternatives, and availability of resources.

A. ***Capital Improvements Planning***

The City shall review annually the needs for capital improvements and equipment, the current status of the City's infrastructure, replacement and renovation needs, and potential new projects. All projects, ongoing and proposed, shall be prioritized based on an analysis of current needs and resource availability. For every capital project, all operation, maintenance, and replacement costs shall be fully costed.

B. ***Replacement of Capital Assets on a Regular Schedule***

The City shall annually prepare a schedule for the replacement of its non-infrastructure capital assets. Within the resources available each fiscal year, the City shall replace these assets according to the aforementioned schedule.

C. ***Capital Expenditure Financing***

The City recognizes that there are three basic methods of financing its capital requirements. It can budget the funds from current revenues; it can take the funds from unassigned fund balance, assigned fund balance, or Net Position as allowed by the Unassigned/Assigned Fund Balance or Net Position Policy Statements; or it can borrow money through the issuance of debt. Debt financing includes general obligation bonds, revenue bonds, certificates of obligation, lease/purchase agreements, certificates of participation, commercial paper, tax notes, and other obligations permitted to be issued or incurred under Texas law. Guidelines for assuming debt are set forth in the Debt Policy Statements.

D. ***Capital Projects Reserve Fund***

A Capital Projects Reserve Fund shall be established and maintained to accumulate reimbursements from other governmental agencies for the prior purchase of real property assets, proceeds from an occasional sale of surplus real property as approved by Council, bonuses and royalties received from gas leases (as described in “Revenues” Policy Statements, Section I., Revenues from Gas Leases and Pipeline Agreements), and transfers from the General Fund unassigned fund balance. This fund shall only be used to pay for non-routine and one-time expenditures such as land and building purchases, construction and maintenance projects with at least a 10-year life, feasibility, design and engineering studies related to such projects, capital equipment and vehicles with at least a 10-year life, and technology improvements with at least a 5-year life. Expenditures from this Fund shall be aimed at protecting the health and safety of

citizens and employees, protecting the existing assets of the City, ensuring public access to City facilities and information, and promoting community-wide economic development.

E. ***Demolition Fund***

Generally, proceeds from the sale of surplus real property assets, other than Lake Worth leases, shall be escrowed and designated for paying the costs of demolishing substandard and condemned buildings and for the maintenance of tax foreclosed properties the City maintains as trustee. Exceptions to this general policy shall be approved by the Council prior to the use of these proceeds for other purposes.

F. ***Lake Worth Infrastructure Fund***

Proceeds from the sale of Lake Worth leases shall be escrowed and designated for water and wastewater improvements within the area of the City of Fort Worth surrounding and adjoining Lake Worth.

G. ***Surplus Bond Funds*** *(M&C G-14441, July 27, 2004)*

A "Restricted Residual Account" shall be established to record and manage surplus project funds. Surplus project funds may become available after the completion of a specific, voter-approved bond project or may result when a bond project is modified or eliminated without being simultaneously replaced by another eligible project.

Funds in the Restricted Residual Account may be used for projects consistent with the voted purpose of the bonds to:

- Finance cost overruns on bond projects within the same bond proposition;
- Fund emergency projects (as defined in Finance Directive 15);
- Reduce outstanding debt at the end of the bond program; and
- Fund newly identified projects within the voted purposes of an approved bond proposition only after all voter-approved projects /categories within the same proposition are substantially complete. A project would be considered substantially complete when design has been fully completed, construction is substantially underway, and staff has prepared cost projections that include ample contingencies to complete the project in the event unforeseen costs should arise.

V.

DEBT

To establish guidelines for debt financing that will provide needed capital equipment and infrastructure improvements while minimizing the impact of debt payments on current revenues.

A. ***Use of Debt Financing***

Debt financing, to include general obligation bonds, revenue bonds, certificates of obligation, certificates of participation, commercial paper, tax notes, lease/purchase agreements, and other obligations permitted to be issued or incurred under Texas law, shall only be used to purchase capital assets and equipment that cannot be prudently acquired from either current revenues, assigned fund balance, or Net Position, and to fund infrastructure improvements and additions. The useful life of the asset or project shall exceed the payout schedule of any debt the City assumes.

B. ***Assumption of Additional Debt***

The City shall not assume more tax-supported general purpose debt than it retires each year without conducting an objective analysis as to the City's ability to assume and support additional debt service payments. When appropriate, self-supporting revenue bonds shall be considered before general obligation bonds. To the extent permitted by State law, commercial paper may be utilized and/or issued in the City's tax-supported and revenue-supported bond programs in order to: (1) provide appropriation authority for executing contracts on bond-funded projects; (2) provide interim construction financing; and (3) take advantage of lower interest rates in the short-term variable rate market; all of which provide the City with flexibility in timing its entry into the long-term fixed rate market.

C. ***Affordability Targets***

1. <u>General Obligation Bonds</u>

The City shall use an objective analytical approach to determine whether it can afford to assume new general purpose debt (General Obligation bonds, tax notes, and Certificates of Obligation) beyond what it retires each year. This process shall take into consideration any potential impact to the City's credit ratings, the growth in the City's taxable assessed value, and the targeted debt service tax rate. The process shall also examine the direct costs and benefits of the proposed expenditures. The decision on whether or not to assume new debt shall be based on these costs and benefits, the current conditions of the municipal bond market, and the City's ability to "afford" new debt as determined by the aforementioned standards.

2. <u>Revenue Bonds</u>

Revenue bonds are secured solely by the revenues of an enterprise fund. As a result, the credit markets look at the type of enterprise securing the payment of debt service on the bonds to determine the level of security necessary for the purchase of the bonds.

Whether revenue bonds can be secured with gross revenues of the enterprise or net revenues (i.e., those revenues remaining after paying costs of operation and maintenance) is often determined by state law. Coverage requirements, and the need for and level of reserve funds to provide additional security in support of revenue bonds, are subject to rating agency review and market standards.

Generally, for the City to issue additional water and sewer revenue bonds, net revenues, as defined in the ordinance authorizing the revenue bonds, shall be a minimum of 125% of the average annual debt service and 110% of the debt service for the year in which requirements are scheduled to be the greatest, but should be at least 150% of the annual debt service for financial planning purposes. Annual adjustments to the City's rate structures will be made as necessary to maintain a minimum 150% coverage factor. Exceptions to these standards must be fully explained and justified.

Generally, for the City to issue additional stormwater revenue bonds, gross revenues, as defined in the ordinance authorizing the revenue bonds, shall be at least of 150% of the maximum annual debt service, however net revenues (after operations and maintenance expenses) should be at least 150% of the annual debt service for financial planning purposes. Annual adjustments to the City's rate structures will be made as necessary to maintain a minimum 150% coverage factor using net revenues.

Revenue bonds that may be issued to finance improvements for other enterprise fund activities (e.g., airports or convention center facilities) will necessitate the consideration of coverage and reserve fund requirements unique to the enterprise fund, such that the revenue bonds will be creditworthy and marketable.

3. Certificates of Obligation

Certificates of Obligation may be issued without a public election to finance any public work project or capital improvement, as permitted by State law. However, it is the policy of the City to utilize Certificates of Obligation to finance public improvements only in special circumstances and only after determining the City's ability to assume additional debt based on the standards identified above. Those special circumstances in which Certificates might be issued include, but are not limited to, situations where:

- Cost overruns on a general obligation bond-financed capital improvement have occurred;
- "Emergency" conditions require a capital improvement to be funded rapidly;
- Financial opportunities unexpectedly arise to leverage funds from other entities and reduce the City's capital cost for a community improvement;
- A capital improvement is a revenue-producing facility, but due to the nature of the project or the time it takes for the facility to become operational and produce revenues, the improvement may not generate sufficient revenues throughout the life of the improvement to support the indebtedness secured solely by the revenues to be produced by the improvement;

- It would be more economical to issue Certificates of Obligation rather than issuing revenue bonds; and

- The timing of the construction of a capital improvement and the expense of calling a bond election for a single proposition would, in the opinion of staff and with the approval of the Council, warrant the issuance of Certificates of Obligation to finance the capital improvement.

D. ***Debt Structure***

Generally, the City shall issue bonds with an average life of approximately 10.5 years for general obligation bonds and approximately 12.0 years for revenue bonds. The structure should approximate level principal on general obligation bonds and level debt service for revenue bonds. With respect to the issuance of revenue bonds for a stand-alone or self-supporting project, the term of the debt and debt service structure shall be consistent with the useful life of the project and the revenue-generating capability of the project.

There shall be no debt structures, which include increasing debt service levels in subsequent years, with the exception of the first and second year of a payment schedule. There shall be no "balloon" bond repayment schedules, which consist of low annual payments and one large payment of the balance due at the end of the term. There shall always be at least interest paid in the first fiscal year after a bond sale and principal starting generally no later than the second fiscal year after the bond issue. In the case of a revenue generating project, principal repayment should begin no later than the first full year after the project has been placed in service. Normally, there shall be no capitalized interest included in the debt structure unless there are no historical reserves upon which to draw. The outstanding general obligation debt and revenue debt of the City may each be comprised of a variable rate component (including commercial paper and auction rate bonds) not to exceed 25% of each such category of debt.

E. ***Call Provisions***

Call provisions for bond issues shall be made as short as possible consistent with the lowest interest cost to the City. When possible, all bonds shall be callable only at par.

F. ***Sale Process***

The City shall use a competitive bidding process in the sale of debt unless the nature of the issue warrants a negotiated sale. The City shall attempt to award the bonds based on a true interest cost (TIC) basis. However, the City may award bonds based on a net interest cost (NIC) basis that the NIC basis can satisfactorily determine the lowest and best bid.

G. ***Timing of Sales***

The City may use the cash received through the issuance of notes pursuant to, or the appropriation authority that may be available in accordance with the commercial paper programs to begin capital projects approved under those programs. The City may also consider using reimbursement resolutions and its cash to initiate certain projects. Consideration should be given to any lost interest earnings on the City's cash compared to the anticipated interest expense associated with the issuance of obligations by the City. This process will improve the City's

ability to time its entry into the long-term fixed rate market and to manage its debt issuances and debt payments in order to minimize the impact on tax rates and utility rates.

H. ***Rating Agencies Presentations***

Full disclosure of operations and open lines of communication shall be made to the rating agencies. City staff shall prepare the necessary materials and presentation to the rating agencies. Credit ratings will be sought from one or more of the nationally recognized municipal bond rating agencies, currently Moody's, Standard & Poor's, and Fitch.

I. ***Continuing Disclosure***

The City is committed to providing continuing disclosure of financial and pertinent credit information relevant to the City's outstanding securities and will abide by the provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure. City staff will undertake to update financial and pertinent credit information within six months of the end of the City's fiscal year and at such other times as may be indicated by material changes in the City's financial situation.

J. ***Debt Refunding***

City staff shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the present value savings of a particular advance refunding (i.e., bonds that are paid off on a date that is more than 90 days after the date the refunding bonds are issued) should exceed 3.5% of the par amount of the refunded maturities.

K. ***Interest Earnings***

Interest earnings received on the investment of bond proceeds shall be used to assist in paying the interest due on bond issues, to the extent permitted by law.

L. ***Lease/Purchase Agreements***

Over the lifetime of a lease, the total cost to the City will generally be higher than purchasing the asset outright. As a result, the use of lease/purchase agreements and certificates of participation in the acquisition of vehicles, equipment, and other capital assets shall generally be avoided, particularly if smaller quantities of the capital asset(s) can be purchased on a "pay-as-you-go" basis.

M. ***Proposals from Investment Bankers***

The City welcomes ideas and suggestions from investment bankers and will seek to reward those firms which submit unique and innovative ideas by involving them in negotiated underwritings. Unsolicited proposals should be submitted to City's Financial Management Services Department. City staff will review to determine the viability of proposals.

N. *Underwriting Syndicates*

The City attempts to involve qualified and experienced firms, which consistently submit ideas to the City and actively participate in the City's competitive sales in its negotiated underwritings. City staff will recommend the structure of underwriting syndicates, which will be effective for the type and amount of debt being issued. The City will consider its M/WBE goals in structuring syndicates.

O. *Interest Rate Swaps*

The City will consider the utilization of interest rate swap transactions only as they relate to the City's debt management program and not as an investment instrument. As a result, any swap transaction should not impair the outstanding bond rating of the City or negatively affect the amount of credit enhancement capacity available to the City. The City is always open to innovative ideas and proposals; however, before a commitment is made on a transaction, the proposed transaction as well as any variations from the following guidelines shall be fully explained and justified to the Council.

1. The Transaction

- Will comply with all applicable outstanding bond ordinance and insurance covenants.
- Will be a market transaction for which competing quotes can be obtained at the discretion of the City staff.
- Will include a market termination provision with third party involvement.
- Will produce a material economic benefit not attainable through the use of conventional debt instruments.
- Will introduce no leverage in order to produce an economic benefit.
- Will not impair the utilization of outstanding call features on outstanding bonds.
- Will be structured to minimize any basis risk, tax-law risk and credit risk to the City.
- Will not cause the total amount of swap transactions as measured on a fair market value basis to exceed 40 percent (40%) of the outstanding indebtedness of a particular fund.

2. The Counterparty

- Shall pay all costs associated with the transaction. All fees and expenses paid by the counterparty to third parties will be disclosed in writing to the City.
- Shall have a rating at the time of execution that is at least equal to that of the City's indebtedness against which the transaction is to be entered, or must provide for the purchase of credit enhancement to enhance the proposed transaction's rating to that of such City indebtedness.

- Shall consider downgrade protection, when possible and cost effective.

- Shall not assign the swap contract without the consent of the City.

- Shall clearly explain the impact on the transaction of the counterparty's bankruptcy.

3. Analysis

- Swap proposals submitted by investment firms for consideration by the City shall include a clear analysis, which identifies both the potential benefits and risks associated with the proposed transaction.

- The City will produce an analysis of various interest rate market fluctuations at periodic intervals to demonstrate the impact of interest rate market movements.

- The City's cost of the transaction and any anticipated future costs will be included in any cost/benefit analysis.

- The City will monitor the results of an adopted swap transaction throughout its life and may recommend termination when substantial economic benefit would accrue to the City upon termination.

4. Legal

- The documentation of the swap shall be in the form of an International Swaps and Derivatives Association, Inc., Master Agreement with schedules and annexes, commonly referred to as an ISDA document set.

- The swap, whenever possible, shall be transacted under Texas law and jurisdiction.

- Approval of the transaction must be obtained from the State Attorney General, to the extent required by Texas law.

5. Disclosure

- Disclosure of the terms of the swap will be made in accordance with then prevailing industry standards.

6. Reporting

- In order to comply with State statutes, the governing body of the City shall appoint an officer of the City to provide an annual written report to the governing body of the City which discusses the following items:

- The terms of the outstanding interest rate management transactions.

- The fair value of each interest rate management transaction.

- The value of any collateral posted to or by the City under the interest rate management transactions with each counterparty at year's end, and the cash flows of each interest rate management transaction.

- Identify the counterparties to each interest rate management transaction, any guarantor of such counterparties, and the credit ratings of each counterparty and guarantor.

- Determine whether the continuation of any swap transactions under the agreement would comply with the City's financial management policy statements.

P. ***Synthetic Advanced Refundings***

The City may consider synthetic advance refundings when they produce a material economic benefit and will in no way impair the outstanding bond rating of the City.

1. The present value savings of any proposed transaction must be quantifiable, exceed 7 percent (7%) of the par amount of the refunded maturities, and not be based on projections.

2. Proposals submitted by investment firms for consideration by the City shall identify and address not only the benefits of the proposed transaction, but the potential negative impacts as well.

3. Additional transaction costs such as bond counsel, trustee, and financial/swap advisor shall be included in the savings calculation required above.

4. The City shall produce an analysis of the implications of paying a forward premium versus waiting to the current call date of the bonds.

5. Approval of the transaction must be obtained from the State Attorney General, to the extent required by Texas law.

VI.

INTERFUND LOANS

Interfund loans are amounts provided between funds and blended component units of the City of Fort Worth with a requirement for repayment.

A. ***Review and Approval***

In accordance with the City of Fort Worth Charter any movement of funds from one fund to another requires the approval of City Council. Additionally, all Interfund loan proposals must be reviewed and approved by the Chief Financial Officer and the City Manager or the designee thereof (who shall not be the Chief Financial Officer).

B. ***Funding Source for Loans***

The funding source of all interfund loans must be idle cash on deposit in a fund. During the term of the loan, the outstanding balance at any time must not be needed to finance normal operations. Adequate documentation, i.e. cash flow analysis, is required to support that loaned funds are idle.

C. ***Use of Loan Proceeds***

Interfund loans must only be made to finance short-term capital needs of the borrowing fund. Short-term is defined as a period up to five (5) years. The exception to this policy is loans from the General Fund to other funds.

D. ***Repayment Source***

The borrowing fund must have an identified revenue stream for the repayment of all principal and interest incurred. Management must provide documentation of ability to repay the obligation, and the department incurring the loan must execute an agreement described in paragraph F, below). Loans will not be approved if the obligor fund cannot substantiate the ability to finance current business and capital operations, make agreed upon loan repayments, and maintain sufficient cash to meet emergency cash needs.

E. ***Repayment Term***

All interfund loans must be repaid in no more than five (5) years from the date loan documents are executed.

F. ***Legal Documentation***

All interfund loans are approved by the City Council by M&C action, and are consummated by loan agreements. Those agreements will stipulate the loan purpose, the loan amount, the term, repayment source, interest rate, and other information as required by the City's legal department.

G. *Repayment*

All idle City cash is pooled and invested to earn a return. The lending fund should recover this foregone investment revenue. Therefore Interfund loans are interest bearing except for advance funding for grants, reimbursement resolutions, or when senior management finds it appropriate to forego the payment of interest. The interest rate charged and paid must comply with all applicable laws and regulation. At a minimum the rate charged will equal the return earned on the City's pooled cash.

H. *Water and Sewer Fund Loans*

In accordance with the Water and Sewer System Master Ordinance, excess pledged revenues can be used to make loans to other City Departments. Before making that determination, the Water and Sewer fund must cover all obligations for Operation and Maintenance Expenses, Debt Service Expenses, Debt Service Coverage, Transfers to the General Fund, and Operating Reserve Requirement (from Net Position)

1. *Purpose of the Loan*

   To fund non-water and sewer capital projects for which there is no other viable funding source, and which total amount falls between a minimum and maximum threshold.

2. *Agreement*

   A formal written agreement between the Water Department and the receiving department, clearly defining the terms and conditions of the agreement should be in place.

3. *Use of Gas Lease Revenue*

   Uncommitted Gas Lease Revenues are the preferred source for making such loans as described in this policy, because the receipt of Gas Lease Revenues is not factored into the annual calculation of revenues available for operating and maintenance expenditures or for pledged for debt service, Gas Lease Revenues could be permanently considered surplus revenues and loaned to other City Departments without adverse affects to the Water Department's financial health or provision of service to its customers. Any prior commitments of the City Council and/or City management for these revenues should be taken into consideration (i.e. the 2007 Lake Worth Capital Improvement Plan). If Gas Lease Revenues are not available for a loan, then a declaration of surplus from the Water and Sewer Fund would be required before such loans could be made.

4. *Determination of Surplus*

   Prior to a loan or transfer agreement being made, a determination of surplus must be made by meeting the following criteria: 1) there are sufficient Excess Pledged Revenues; 2) coverage amounts meet or exceed the recommended ratios; and 3) the reserve requirement meets or exceeds the required amounts as set forth in the Master Ordinance and the Fiscal Management Policy Statements.

VII.

INVESTMENTS

To invest the City's cash in such a manner so as to ensure the safety of principal and interest, to meet the liquidity needs of the City, and to achieve the highest reasonable market yield.

A. ***Cash Management Policy*** *(M&C G-9552, March 12, 1992)*

Subject to approval by the City Manager and the Director of Finance, the City Treasurer is both authorized and required to promulgate a written Statement of Cash Management Rules and Regulations governing the City's cash management and investment activities (exclusive of the investment activities of the Employees' Retirement Fund), and to institute and administer such specific procedures and criteria as may be necessary to ensure compliance with the City's cash management policy and the Public Funds Investment Act (Texas Government Code Chapter 2256). Specifically, this policy mandates the pursuit of the following overall goals and objectives:

1. All aspects of cash management operations shall be designed to ensure the safety and integrity of the City's financial assets.

2. Cash management activities shall be conducted in full compliance with prevailing local, state, and federal regulations. Furthermore, such activities shall be designed to adhere to guidelines, standards, and practices promulgated by such professional organizations as the American Institute of Certified Public Accountants (AICPA), the Governmental Accounting Standards Board (GASB), and the Government Finance Officers Association (GFOA), whenever practicable.

3. Operating within appropriately established administrative and procedural parameters, the City shall aggressively pursue optimum financial rewards, while simultaneously controlling its related expenditures. Therefore, cash management functions that engender interaction with outside financial intermediaries shall be conducted in the best financial and administrative interests of the City. In pursuit of these interests, the City will utilize competitive bidding practices wherever practicable, affording no special financial advantage to any individual or corporate member of the financial or investment community.

4. The City shall design and enforce written standards and guidelines relating to a variety of cash management issues, such as the eligibility or selection of various financial intermediaries and counterparties, documentation and safekeeping requirements; philosophical and operational aspects of the investment function; and such other functional and administrative aspects of the cash management program which necessitate standard setting in pursuit of appropriate prudence, enhanced protection of assets or procedural improvements.

5. Investments of the City, or of funds held in its possession in a fiduciary capacity, shall be made with the exercise of that judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of

their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.

B. ***Investment Strategy*** *(M&C G-11199, August 21, 1995 - Modified March 31, 1997)*

The City of Fort Worth maintains a Consolidated Portfolio in which it pools its funds for investment purposes. The City's cash management program seeks to achieve four objectives in this order of priority: safety of principal, adequate liquidity to meet daily cash needs, diversification, and finally a reasonable yield commensurate with the preservation of principal and liquidity. The following investment strategy has been designed to accomplish these objectives:

1. The City invests in "money market instruments," high credit quality, highly liquid investments with maturities of one year or less, and in intermediate-term securities of high credit quality with maturities no greater than five years. The City will only invest in those securities specified in its "List of Eligible Investments". These include U.S. Treasury Bills and Notes, high quality obligations of certain U.S. agencies and instrumentalities, and AAA-rated local government investment pools and no-load money market mutual funds. Any securities not on this list will not be eligible investments.

2. At all times, the City shall maintain a cash position sufficient to meet daily liquidity requirements. This will be accomplished by maintaining approximately 10 percent of the total portfolio in money market funds, local government investment pools, bank accounts, and/or overnight repurchase agreements. The City shall also position some investments to provide liquidity for certain predictable obligations such as debt service payments.

3. The City shall not exceed a weighted average maturity of two and one-half years for the Consolidated Portfolio, with no single investment exceeding a maximum stated maturity of five years. In addition, the portfolio shall be structured to achieve a proper level of diversification along maturity, issuer, and security type guidelines.

There may be times when the City has more or less of its funds in any one category due to cash flow needs, prevailing market conditions, and other factors. The diversification schedules serves as general guidelines for making investment decisions. In this way, the portfolio will be able to take advantage of rising interest rates by re-investing maturing securities at higher yields. In falling rate environments, it will profit from having investments that were made at higher interest rates. At all times, the exposure to a single issuer or security type will be minimized.

Following this discipline ensures that the City will always have sufficient cash available for daily needs, preserves its principal and encourage diversification in multiple areas. In this manner, the Consolidated Portfolio will endeavor to earn a competitive market yield without assuming unacceptable risk.

C. ***Interest Earnings***

Interest earned from investments shall be distributed to the operating, internal service, and other City funds from which the money was provided, with the exception that interest earnings received on the investment of bond proceeds shall be attributed and allocated to those debt service funds responsible for paying the principal and interest due on the particular bond issue.

D. ***Designated Investment Committee***

Upon Council adoption of the Investment Policy, an Investment Committee comprised of the Chief Financial Officer and/or the Financial Management Services Department Director, the City Treasurer, and others as deemed appropriate by the City Manager is established. This group serves as the City's designated investment committee required under the State Public Funds Investment Act. The committee will regularly examine and evaluate the City's cash management and investment activities and recommend revisions to operational rules and regulations, the Investment Policy, and the Investment Strategy. The committee may also approve the annual broker/dealer list and authorized training organizations. Modifications to the administrative rules and regulations will be submitted to the City Manager for approval. Amendments to the Investment Policy will be presented to the Council for adoption. According to State statute, the Investment Policy and Strategy will be reviewed and adopted by Council at least annually.

E. ***Credit Rating***

An Investment Officer or Investment Advisor shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, an Investment Officer shall notify the Chief Financial Officer of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.

VIII.
INTERGOVERNMENTAL RELATIONS

To coordinate efforts with other governmental agencies to achieve common policy objectives, share the cost of providing government services on an equitable basis, and support favorable legislation at the state and federal levels.

A. ***Interlocal Cooperation in Delivering Services***

In order to promote the effective and efficient delivery of services, the City shall actively seek to work with other local jurisdictions in joint purchasing consortia, sharing facilities, sharing equitably the costs of service delivery, and developing joint programs to improve service to its citizens.

B. ***Legislative Program***

The City shall cooperate with other jurisdictions to actively oppose any state or federal regulation or proposal that mandates additional City programs or services and does not provide the funding to implement them. Conversely, as appropriate, the City shall support legislative initiatives that provide more funds for priority local programs.

IX.

GRANTS

To seek, apply for and effectively administer federal, state and foundation grants-in-aid that address the City's current priorities and policy objectives.

A. ***Grant Guidelines***

The City shall apply, and facilitate the application by others, for only those grants that are consistent with the objectives and high priority needs previously identified by Council. The potential for incurring ongoing costs, to include the assumption of support for grant-funded positions from local revenues, will be considered prior to applying for a grant.

B. ***Indirect Costs***

The City shall recover full indirect costs unless the funding agency does not permit it. The City may waive or reduce indirect costs if doing so will significantly increase the effectiveness of the grant.

C. ***Grant Review***

All grant submittals shall be reviewed for their cash match requirements, their potential impact on the operating budget, and the extent to which they meet the City's policy objectives. Departments shall seek Council approval prior to submission of a grant application. Should time constraints under the grant program make this impossible, the department shall obtain approval to submit an application from the appropriate Assistant City Manager and then, at the earliest feasible time, seek formal Council approval. If there are cash match requirements, the source of funding shall be identified prior to application. An annual report on the status of grant programs and their effectiveness shall also be prepared.

D. ***Grant Program Termination***

The City shall terminate grant-funded programs and associated positions when grant funds are no longer available unless alternate funding is identified.

X.

ECONOMIC DEVELOPMENT

Initiate, encourage, and participate in economic development efforts to create job opportunities and strengthen the local economy.

A. ***Positive Business Environment***

The City shall endeavor, through its regulatory and administrative functions, to provide a positive business environment in which local businesses can grow, flourish and create jobs. The Council and City staff will be sensitive to the needs, concerns and issues facing local businesses.

B. ***Commitment to Business Expansion, Diversification, and Job Creation***

The City shall encourage and participate in economic development efforts to expand Fort Worth's economy and tax base and to increase local employment. These efforts shall not only focus on newly developing areas but on "central city" areas, the Central Business District, and other established sections of Fort Worth where development can generate additional jobs and other economic benefits. The "central city" is defined, by the Council, as the area within Interstate Loop 820 consisting of:

- All Community Development Block Grant (CDBG)–eligible census block groups; and
- All state-designated enterprise zones within Interstate Loop 820; and
- All census block groups that are contiguous by 75 percent or more of their perimeter to CDBG-eligible block groups or enterprise zones.

C. ***Tax Abatements***

The City shall follow a tax abatement policy (adopted October 17, 2006, M&C G-15458) to encourage investment and development throughout Fort Worth. The City shall use due caution in the analysis of any tax incentives used to encourage development. Factors considered in evaluating proposed abatements for development include the location of the project, its size, the number of temporary and permanent jobs created, the costs and benefits for the City and its impact on Fort Worth's economy. Tax abatement contracts may contain certain conditions to the receipt, both initially and throughout the term of the contract, of the abatement. The City will annually review tax abatement contracts to ensure the community is receiving promised benefits, and the Council may seek to modify, re-negotiate, or terminate an abatement contract if it is determined that the firm receiving the abatement has failed to keep its part of the agreement.

D. ***Increase Non-residential Share of Tax Base***

The City's economic development program shall seek to expand the non-residential share of the tax base to decrease the tax burden on residential homeowners.

E. ***Coordinate Efforts with Other Jurisdictions***

The City's economic development program shall encourage close cooperation with other local jurisdictions, chambers of commerce, and groups interested in promoting the economic well- being of this area.

F. ***Use of Other Incentives***

The City shall use enterprise zones, tax increment reinvestment zones, or other incentives as allowed by law to encourage new investment and business expansion in target areas as designated by resolution of the Council. Petitions presented to the City Council seeking the creation of a tax increment reinvestment zone shall be considered by the City Council in a manner consistent with applicable Texas law and the City of Fort Worth Policy, Guidelines, and Procedures for Tax Increment Reinvestment Zones (adopted February 28, 2006, M&C G-15100).. The City shall also coordinate with state and federal agencies on offering any incentive programs they may provide for potential economic expansion. The factors used to evaluate possible recipients of any incentives shall include those listed in C. Tax Abatements. Economic development incentive agreements involving tax abatements or grants of public funds shall be subject to prior review and approval of the Council**.**

XI.

FISCAL MONITORING

To prepare and present regular reports that analyze, evaluate, and forecast the City's financial performance and economic condition.

A. ***Financial Status and Performance Reports***

Strive for quarterly reports comparing expenditures and revenues to current budget, projecting expenditures and revenues through the end of the year, noting the status of unassigned fund balances, assigned fund balances, or available cash balances to include dollar amounts and percentages, and outlining any remedial actions necessary to maintain the City's financial position shall be prepared for review by the City Manager and the Council.

B. ***Five-year Forecast of Revenues and Expenditures***

A five-year forecast of revenues and expenditures, to include a discussion of major trends affecting the City's financial position, shall be prepared in anticipation of the annual budget process. The forecast shall also examine critical issues facing the City, economic conditions, and the outlook for the upcoming budget year. The document shall incorporate elements of the International City Management Association financial trend monitoring system to provide further insight into the City's financial position and to alert the Council to potential problem areas requiring attention.

C. ***Status Reports on Capital Projects***

A summary report on the contracts awarded, capital projects completed and status of the City's various capital programs will be prepared at least quarterly and presented to the City Manager and Council.

D. ***Compliance with Council Policy Statements***

The Financial Management Policy Statements will be reviewed annually by the Council and updated, revised or refined as deemed necessary. Policy statements adopted by the Council are guidelines, and occasionally, exceptions may be appropriate and required. However, exceptions to stated policies will be specifically identified, and the need for the exception will be documented and fully explained.

XII.
FINANCIAL CONSULTANTS

To seek out and employ the assistance of qualified financial advisors and consultants as needed in the management and administration of the City's financial functions.

Advisors and consultants shall be selected using objective questionnaires and requests for qualifications/proposals based upon demonstrated expertise relative to the scope of work to be performed and appropriately competitive fees. These areas include but are not limited to investments, debt administration, financial accounting systems, program evaluation, and financial impact modeling.

XIII.

ACCOUNTING, AUDITING AND FINANCIAL REPORTING

Accounting, Auditing and Financial Reporting: Comply with prevailing federal, state, and local statutes and regulations, as well as current professional principles and practices.

A. ***Conformance to Accounting Principles and Recommended Practices***

The City's accounting practices and financial reporting shall conform to Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA), and the Government Finance Officers Association (GFOA).

B. ***Popular Reporting***

In addition to issuing a Comprehensive Annual Financial Report (CAFR) in conformity with GAAP, the City may supplement its CAFR with a simpler, "popular" report designed to assist those citizens who need or desire a less detailed overview of the City's financial activities. This report should be issued no later than six months after the close of the fiscal year.

C. ***Selection of Auditors***

Every five years, the City shall request proposals from all qualified firms, including the current auditors if their past performance has been satisfactory, and the Council shall approve the selection of an independent firm of certified public accountants to perform an annual audit of the books of account, records and transactions, opining of the Comprehensive Annual Financial Report and Single Audit Report and reporting the results and recommendations to the Council.

D. ***Audit Completion***

The City seeks to have its CAFR and Single Audit Report audited and available within 180 days and 270 days respectively after the close of its previous fiscal year, which ends September 30. In the event the presentation of the CAFR and Single Audit is delayed beyond the first Council meeting in April, the City Manager shall provide a report on the status of the audit and the expected completion date of the CAFR and Single Audit to the City Council at its first meeting in April.

XIV.

RETIREMENT SYSTEM

A. To ensure that the Employees' Retirement Fund is adequately funded and operated for the exclusive benefit of the participants and their beneficiaries:

1. *Benefit Improvements*

The Board of Trustees of the Employees' Retirement Fund (Retirement Fund) shall certify to the Council the actuarial impact of any proposed benefit improvements or changes in contribution levels. The City Council (City) will also obtain an independent actuary who will certify to the Council the actuarial impact of any proposed benefit improvements or changes in contribution levels.

2. *Qualified Plan*

The City and the Retirement Fund will maintain the qualified status of the Retirement System. As deemed necessary from time to time, the City and/or the Retirement Fund will request a "determination letter" from the IRS relative to whether or not the City's retirement system conforms to the Internal Revenue Code in order to assure the tax-exempt status of the income earned on the Retirement Fund's investments, the retiree pension payments, and the accrued benefits for active employees.

3. *Funding Level*

In accordance with Article 16, Section 66 of the Texas Constitution which charges the City and the Retirement Fund with the responsibility for ensuring that accrued benefits are not reduced or impaired, the City shall continue to monitor contribution levels of both the City and employees, along with retirement benefits, to ensure that the Retirement Fund is sufficiently funded and benefits can be paid as they become due. If funding levels are insufficient, staff will update the City Council of the deficiency and make recommendations for corrective action.

4. *City Manager's Proposed Budget*

The City Manager will provide assumptions included in the City Manager's Proposed Budget, such as compensation increases, retirement contributions, and any changes in staffing to the City's selected actuarial firm. The actuarial firm will determine the actuarial impact of assumptions included in the City Manager's Proposed Budget on the Employees' Retirement Fund. The City Manager will present the City Council with the results of the actuarial analysis, prior to the adoption of the budget and communicate the results of the actuarial study to the Employees' Retirement Fund's actuary.

B. To ensure that the Health Fund is adequately funded and operated for the exclusive benefit of eligible employees, retirees, and beneficiaries:

1. *Benefit Improvements*

   Staff shall routinely present to the City Council the actuarial impact of any proposed benefit improvements or changes. The City Council will also obtain an independent actuary who will certify to the Council the actuarial impact of any proposed benefit improvements or changes.

2. *Funding Level*

   The City shall continue to monitor retiree healthcare benefits, to ensure that the Health Fund is sufficiently funded and City Council-approved benefits can be paid according to the approved benefit program. If funding levels are insufficient, staff will update the City Council of the deficiency and make recommendations for corrective action.

3. *City Manager's Proposed Budget*

   The City Manager will provide assumptions included in the City Manager's Proposed Budget related to the actuarially determined Annual Required Contribution (ARC) and the period of time necessary to fully fund the ARC in accordance with Governmental Standards Accounting Board Statement 45 (GASB 45).

XV.

INTERNAL CONTROLS

To establish and maintain an internal control structure designed to provide reasonable assurance that City assets are safeguarded and that the possibilities for material errors in the City's financial records are minimized.

A. ***Proper Authorizations***

Procedures shall be designed, implemented and maintained to ensure that financial transactions and activities are properly reviewed and authorized.

B. ***Separation of Duties***

Job duties will be adequately separated to reduce to an acceptable level the opportunities for any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of assigned duties.

C. ***Proper Recording***

Procedures shall be developed and maintained that will ensure financial transactions and events are properly recorded, and that all financial reports may be relied upon as accurate, complete and up-to-date.

D. ***Access to Assets and Records***

Procedures shall be designed and maintained to ensure that adequate safeguards exist over the access to and use of financial assets and records.

E. ***Independent Checks***

Independent checks and audits will be made on staff performance to ensure compliance with established procedures and proper valuation of recorded amounts.

F. ***Costs and Benefits***

Internal control systems and procedures must have an apparent benefit in terms of reducing and/or preventing losses. The cost of implementing and maintaining any control system should be evaluated against the expected benefits to be derived from that system.

XVI.

E-COMMERCE

To fully utilize available technologies to expedite cash payments and receipts, enhance employee productivity, and provide customer satisfaction.

A. ***Fully Integrated Financial Systems***

All E-Commerce systems and procedures must fully and transparently integrate with the City's financial and accounting systems, its depository bank systems, and any other City information system which interfaces with an E-Commerce system.

B. ***Emerging Technologies***

The City will work closely with its depository bank and other financial partners to evaluate and implement the standard industry accepted technologies that prove to be efficient and effective in pursuit of the City's E-Commerce goals.

C. ***Vendor E-Payments***

The City will actively migrate vendor payments from paper checks to other forms of payment, including but not limited to: 1) Automated Clearing House (ACH) payments; 2) Wire transfers; and 3) Procurement Card payments.

D. ***Direct Deposits***

The City will actively migrate payroll payments from paper checks, to electronic formats, including but not limited to: 1) Direct deposits and 2) Electronic pay cards.

E. ***Internet Payment Options***

Working with its depository bank and other financial partners, the City will seek to develop and implement internet payment options of best practices which will allow customers and citizens to pay bills due the City conveniently and securely.

F. ***Information Security***

The City will employ security measures consistent with best practice and the City's information security policy to ensure the integrity and confidentiality of customer and citizen data that is stored or is a component of transactions utilizing the City's information technology infrastructure or that of its service providers.

XVII.

LONG-TERM FINANCIAL PLANNING POLICY

A new "Long-Term Financial Planning Policy" is adopted in Fiscal Year 2015. The full text of the policy can be found as Attachment B to these Financial Management Policy Statements.

.

ATTACHMENTS

City of Fort Worth
Department of Finance
Capital Projects Fund Reserve Policy

I. **Authority**:

The Fort Worth City Council is responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth. The City Manager is responsible for carrying out the policy directives of the City Council and managing the day-to-day operations of the executive departments, including the Department of Finance. This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of Finance.

II. Purpose:

The City desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. In addition, this policy is intended to document the appropriate Reserve level to protect the City's credit worthiness and provide adequate cash flow based upon the traditional operating cycle. The Capital Project Fund Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities and to minimize the costs associated with short-term cash borrowing.

This policy establishes the amounts the City will strive to maintain in its Capital Projects Fund Reserve, how the Reserve will be funded, and the conditions under which the Reserve may be used.

III. Applicability and Scope:

This policy shall apply to the Capital Projects Funds under the budgetary and fiscal control of the City Manager and the City Council. This policy does not apply to a Proprietary Fund, which shall be governed by a separate policy.

IV. Glossary - See definitions related to this policy provided in the appendix

V. Related Documents and References:

A. Operating and Capital Budget Policy
B. Long-Term Financial Planning Policy
C. Capital Asset Investment and Management Policy

City of Fort Worth
Department of Finance
Capital Projects Fund Reserve Policy

VI. Policy:

Reserve Levels – The City will maintain reserves in Capital Projects Funds that will not exceed the amount needed to fully fund the approved projects set forth in the five-year Capital Improvement Plan.

VII. Monitoring Performance

A. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final fiscal year-end financial information becomes available. During the course of the fiscal year the Department of Finance shall closely monitor the City's revenues and expenditures to ensure Reserves are not used beyond any planned usage.

B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Finance based on the requirements outlined in this policy.

C. Funding the Reserve – Funding of Reserve targets will generally come from excess revenues over expenditures or one-time revenues.

D. Periodic Review of the Targets – At a minimum, during the annual financial planning/budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

VIII. Pooled Cash

Cash Balance – In order to provide liquidity adequate to meet the needs and demands of providing government services including unanticipated reductions in revenues or unplanned increases in expenditures, Cash Balances will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense. The Reserve is intended to support this effort and counterbalance the tax collection cycle.

IX. **Conditions for Use of Reserves**

It is the intent of the City to limit the use of Capital Project Fund Reserves to address non-routine and one-time expenditures.

X. Excess of Reserves

In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

1. Appropriated to lower the amount of bonds or increase the pay-as-you-go contributions needed to fund capital projects in the City's Capital Improvement Plan;

2. To pay for non-routine and one-time expenditures such as land and building purchases, construction and maintenance projects with at least a 10-year life, feasibility, design, and engineering studies related to such projects, capital equipment and vehicles with at least a 10-year life, and technology improvements with at least a 5-year life.

XI. Authority over Reserves

The City Council may authorize the use of Reserves. The Department of Finance will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer/Director of Finance to ensure the presence of procedures that provides sufficient guidance to affected City personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

XIII. Metrics:
To be developed and managed accordingly.

XIV. Records:
There are no records associated with this policy.

XV. Process Flow Map:
Not applicable.

XVI. Forms:
Not Applicable

XVII. Appendices:
Not applicable.

City of Fort Worth
Department of Finance
General Fund and General Debt Service Fund Reserve Policy

I. **Authority**:

The Fort Worth City Council is responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth. The City Manager is responsible for carrying out the policy directives of the City Council and managing the day-to-day operations of the executive departments, including the Department of Finance. This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of Finance.

II. Purpose:

The City desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. In addition, this policy is intended to document the appropriate Reserve level to protect the City's credit worthiness and provide adequate cash flow based upon the traditional operating cycle. Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities and to minimize the costs associated with short-term cash borrowing.

This policy establishes the amounts the City will strive to maintain in its General Fund and Debt Service Fund Reserves, how the Reserves will be funded, and the conditions under which the Reserves may be used.

III. Applicability and Scope:

This policy shall apply to the General Fund and the General Debt Service Fund under the budgetary and fiscal control of the City Manager and the City Council.

This policy is applicable to Governmental Funds, and is intended to supplement, not supersede, provisions of the City governing the issuance of bonds or other obligations secured in whole or in part by revenues held in or credited to a Governmental Fund.

IV. Glossary - See definitions related to this policy provided in the appendix.

City of Fort Worth
Department of Finance
General Fund and General Debt Service Fund Reserve Policy

V. Related Documents and References:

A. Operating and Capital Budget Policy
B. Long-Term Financial Planning Policy
C. Capital Asset Investment and Management Policy
D. Debt Management Policy

VI. Policy:

General Fund

A. Reserve Levels - The City will maintain a minimum Unassigned Fund Balance in the General Fund equivalent to ten percent (10%) of regular ongoing operating expenditures, with a goal of two months (16.67%) of regular ongoing operating expenditures.

B. Committed Fund Balance – The City Council maintains the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an item placed on the City Council's agenda and approved at a City Council meeting. The action must either approve or rescind, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

C. Assigned Fund Balance – The City Council, through adoption of this policy, have authorized the City Manager and Chief Financial Officer / Director of Finance to jointly designate or commit assigned fund balances without further City Council approval. It should be noted that this authority only gives the ability to designate future "intended" uses of fund balance that is in excess of nonspendable, restricted, and committed amounts, and the minimum required reserve. It does not vest additional spending authority in the City Manager or Chief Financial Officer / Director of Finance. Subsequent appropriations of fund balance would continue to require City Council approval.

Spending Priorities - When expenditures are incurred for the purposes for which both restricted and unrestricted fund balance is available, the City will consider restricted funds to be spent before unrestricted funds. Further, if there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, the City will consider committed

funds to be spent before assigned funds, and will consider assigned funds to be spent before unassigned funds.

For the purposes of this policy, current fiscal year's actual expenditures will exclude significant Non-Recurring Items.

Debt Service Fund

D. Reserve Levels – The City will maintain a minimum level of Restricted, Committed, and Assigned Fund Balance in the General Debt Service Fund between two (16.67%) to three (25%) months of the highest projected debt service over the succeeding debt service forecast. Amounts used in this calculation shall not include any amounts allocated for other purposes by the City Council.

While reserves for the General Fund and the Debt Service Fund are calculated separately, the resulting individual Reserve requirements will be combined into one figure to be compared with the total General Fund and Debt Service Fund's fund balance.

VII. Monitoring Performance

E. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final fiscal year-end financial information becomes available. During the course of the fiscal year the Department of Finance shall closely monitor the City's revenues and expenditures to ensure Reserves are not used beyond any planned usage.

F. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Finance based on the requirements outlined in this policy.

G. Funding the Reserve – Funding of Reserve targets will generally come from excess revenues over expenditures or one-time revenues.

H. Periodic Review of the Targets – At a minimum, during the annual financial planning / budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

VIII. Pooled Cash

Cash Balance – In order to provide liquidity adequate to meet the needs and demands of providing government services including unanticipated reductions in revenues or unplanned increases in expenditures, Cash Balances will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense. The Reserve is intended to support this effort and counterbalance the tax collection cycle.

IX. Conditions for Use of Reserves

General Fund

It is the intent of the City to limit the use of General Fund Reserves to address unanticipated, Non-Recurring needs. Reserves shall not be applied to recurring annual operating expenditures. Reserves may, however, be used to allow time for the City to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

Debt Service Fund

It is the intent of the City to limit the use of Debt Service Reserves to address the re-payment of any outstanding debt.

X. Excess of Reserves

In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

General Fund

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance.

Priority will be given to those items that relieve budget or financial operating pressure in future periods;

2. Appropriated to lower the amount of bonds or increase the pay-as-you-go contributions needed to fund capital projects in the City's Capital Improvement Plan;

3. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or

4. Start-up expenditures for new programs, provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Department of Finance.

Debt Service Fund

1. Use to re-pay any outstanding debt or obligations.

XI. Authority over Reserves

The City Council may authorize the use of Reserves. The Department of Finance will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer/Director of Finance to ensure the presence of procedures that provide sufficient guidance to affected City personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

XIII. Metrics:

To be developed and managed accordingly.

XIV. Records:

There are no records associated with this policy.

XV. Process Flow Map:
Not Applicable.

XVI. Forms:
Not Applicable

XVII. Appendices:
Not Applicable.

City of Fort Worth
Department of Finance
Enterprise Fund Reserve Policy

I. Authority:

The Fort Worth City Council is responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth. The City Manager is responsible for carrying out the policy directives of the City Council and managing the day-to-day operations of the executive departments, including the Department of Finance. This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/ Director of Finance.

II. Purpose:

The City desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenses. In addition, this policy is intended to document the appropriate Reserve level to protect the City's credit worthiness and provide adequate cash flow based upon the traditional operating cycle. The Enterprise Funds Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities and to minimize the costs associated with short-term cash borrowing.

This policy establishes the amounts the City will strive to maintain in its Enterprise Fund Reserve, how the Reserve will be funded, and the conditions under which the Reserves may be used. This policy is intended to supplement, but not supersede, provisions of ordinances of the City governing the issuance or incurrence of bonds or other obligations secured in whole or in part by revenues or credited to an Enterprise Fund.

III. Applicability and Scope:

This policy shall apply to all Enterprise Funds under the budgetary and fiscal control of the City Manager and the City Council.

This policy is applicable to Enterprise Funds, and is intended to supplement, not supersede, provisions of the City governing the issuance of bonds or other obligations secured in whole or in part by revenues held in or credited to an Enterprise Fund.

IV. Glossary - See definitions related to this policy provided in the appendix

V. Related Documents and References:

A. Operating and Capital Budget Policy
B. Long-Term Financial Planning Policy
C. Capital Asset Investment and Management Policy

VI. Policy:

Reserve Levels- The City will maintain the following minimum reserve levels in each Enterprise Fund, consistent with State law and the terms of ordinances pursuant to which obligations have been issued or incurred that are secured in whole or in part by revenues held in or credited to an Enterprise Fund:

A. **Water and Sewer Fund**

1. A goal of a minimum level of Working Capital in Enterprise Funds equivalent to three (25%) months of regular, on-going Operating Expenses (including operating transfers out). This calculation shall not include Non-Recurring Items.

2. A goal of a minimum level of Working Capital in Enterprise Funds equivalent to three (25%) months of the amount being paid in Debt Service payments for the subsequent fiscal year.

3. A minimum Reserve of 62 Days Cash on Hand with a goal of 250 Days Cash on Hand.

B. **All other Enterprise Funds**

1. A goal of a minimum level of Working Capital in Enterprise Funds equivalent to three (25%) months of regular, on-going Operating Expenses (including operating transfers out). This calculation shall not include Non-Recurring Items.

2. A goal of a minimum level of Working Capital in Enterprise Funds equivalent to three (25%) months of the amount being paid in Debt Service payments for the subsequent fiscal year.

3. A minimum Reserve of 62 Days Cash on Hand with a goal of 150 Days Cash on Hand.

4. The City's goal is that no Enterprise Fund shall have a negative Unrestricted Net Position.

5. In addition, the City acknowledges that initially, not all funds will meet the minimum requirement for Working Capital and/or Days Cash on Hand outlined in this policy. A fund will be considered compliant with this policy as long as the financial position shows continuous improvement each fiscal year.

VII. Monitoring Performance

A. For purposes of this calculation, Working Capital will include long-term investments that can be liquidated within five business days. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final fiscal year-end financial information becomes available. During the course of the fiscal year the Department of Finance shall closely monitor the City's revenues and expenses to ensure Reserves are not used beyond any planned usage.

B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Finance based on the requirements outlined in this policy.

C. Funding the Reserve- Funding of Reserve targets will generally come from excess revenues over expenses or one-time revenues.

D. Periodic Review of the Targets – At a minimum, during the annual financial planning/budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

VIII. Pooled Cash

Cash Balance- In order to provide liquidity adequate to meet the needs and demands of providing government services including unanticipated reductions in revenues or unplanned increases in expenses, Cash Balances will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense.

The Reserve is intended to support this effort and counterbalance the tax collection cycle.

IX. Conditions for Use of Reserves

It is the intent of the City to limit use of Enterprise Reserves to address unanticipated, Non-Recurring needs. Reserves shall not be applied to recurring annual operating expenses. Reserves may, however, be used to allow time for the City to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

X. Excess of Reserves

In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance. Priority will be given to those items that relieve budget or financial operating pressure in future periods;

2. Appropriated to lower the amount of bonds or increase the pay-as-you-go contributions needed to fund capital projects in the City's Capital Improvement Plan;

3. One-time expenses that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or

4. Start-up expenses for new programs, provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenses as prepared by the Department of Finance.

XI. **Authority over Reserves**

The City Council may authorize the use of Reserves. The Department of Finance will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer/Director of Finance to ensure the presence of procedures that provide sufficient guidance to affected City personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

XIII. Metrics:
To be developed and managed accordingly.

XIV. Records:
There are no records associated with this policy.

XV. Process Flow Map:
Not Applicable.

XVI. Forms:
Not Applicable.

XVII. Appendices:
Not Applicable.

City of Fort Worth
Department of Finance
Internal Service Fund Reserve Policy
Insurance Funds

I. Authority:

The Fort Worth City Council is responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth. The City Manager is responsible for carrying out the policy directives of the City Council and managing the day to day operations of the executive departments, including the Department of Finance. This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/ Director of Finance.

II. Purpose:

The City desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenses. In addition, this policy is intended to document the appropriate Reserve level to protect the City's credit worthiness and provide adequate cash flow based upon the traditional operating cycle. The Internal Service Insurance Funds Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities and to minimize the costs associated with short-term cash borrowing.

This policy establishes the amounts the City will strive to maintain in its Internal Service Insurance Funds Reserve, how the Reserve will be funded, and the conditions under which the Reserves may be used.

III. Applicability and Scope:

This policy shall apply to all Internal Service Insurance Funds under the budgetary and fiscal control of the City Manager and the City Council.

IV. Glossary - See definitions related to this policy provided in the appendix

V. Related Documents and References:

A. Operating and Capital Budget Policy
B. Long-Term Financial Planning Policy
C. Capital Asset Investment and Management Policy

City of Fort Worth
Department of Finance
Internal Service Fund Reserve Policy
Insurance Funds

VI. Policy:

Reserve Levels- The City will maintain the following minimum reserve levels in all Internal Service Insurance Funds:

1. A minimum level of Working Capital in Insurance Funds between two and three months of regular, on-going Operating Expenses (including operating transfers out). This calculation shall not include Non-Recurring Items.

2. No Insurance Fund shall have a negative Unrestricted Net Position.

3. In addition, the City acknowledges that initially, not all funds will meet the minimum requirement for Working Capital outlined in this policy. A fund will be considered compliant with this policy as long as the financial position shows continuous improvement each fiscal year.

VII. Monitoring Performance

A. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final year-end account information becomes available. During the course of the fiscal year the Department of Finance shall closely monitor the City's revenues and expenses to ensure Reserves are not used beyond any planned usage.

B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Finance based on the requirements outlined in this policy.

C. Funding the Reserve- Funding of internal service insurance funds Reserve targets will generally come from excess revenues over expenses or one-time revenues.

D. Periodic Review of the Targets – At a minimum, during the annual financial planning/budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

VIII. Pooled Cash

Cash Balance- In order to provide liquidity adequate to meet the needs and demands of providing government services including unanticipated reductions in revenues or unplanned increases in expenses, Cash Balances will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense. The Reserve is intended to support this effort and counterbalance the tax collection cycle.

IX. **Conditions for Use of Reserves**

It is the intent of the City to limit use of internal service insurance fund Reserves to address unanticipated, Non-Recurring needs. Reserves shall not be applied to recurring annual operating expenses. Reserves may, however, be used to allow time for the City to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

X. **Excess of Reserves**

In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance. Priority will be given to those items that relieve budget or financial operating pressure in future periods;

2. One-time expenses that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or

3. Start-up expenses for new programs, provided that such action is approved by the City Council and is considered in

the context of multi-year projections of revenue and expenses as prepared by the Department of Finance.

XI. **Authority over Reserves**

The City Council may authorize the use of Reserves. The Department of Finance will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer/Director of Finance to ensure the presence of procedures that provide sufficient guidance to affected City personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

XIII. Metrics:
To be developed and managed accordingly.

XIV. Records:
There are no records associated with this policy.

XV. Process Flow Map:
Not Applicable.

XVI. Forms:
Not Applicable.

XVII. Appendices:
Not Applicable.

City of Fort Worth
Department of Finance
Internal Service Fund Reserve Policy
Non-Insurance Funds

I. Authority:

The Fort Worth City Council is responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth. The City Manager is responsible for carrying out the policy directives of the City Council and managing the day to day operations of the executive departments, including the Department of Finance. This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/ Director of Finance.

II. Purpose:

The City desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenses. In addition, this policy is intended to document the appropriate Reserve level to protect the City's credit worthiness and provide adequate cash flow based upon the traditional operating cycle. The Internal Service Fund Reserves (for non-insurance funds) are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/ or opportunities and to minimize the costs associated with short-term cash borrowing.

This policy establishes the amounts the City will strive to maintain in its Non-Insurance Internal Service Fund Reserve, how the Reserve will be funded, and the conditions under which the Reserves may be used.

III. Applicability and Scope:

This policy shall apply to all Non-Insurance Internal Service Funds under the budgetary and fiscal control of the City Manager and the City Council.

IV. Glossary - See definitions related to this policy provided in the appendix

V. Related Documents and References:

A. Operating and Capital Budget Policy
B. Long-Term Financial Planning Policy
C. Capital Asset Investment and Management Policy

City of Fort Worth
Department of Finance
Internal Service Fund Reserve Policy
Non-Insurance Funds

VI. Policy:

Reserve Levels- The City will maintain the following minimum reserve levels in all Non-Insurance Internal Service Insurance Funds:

1. A minimum level of Working Capital in Non-Insurance Internal Service Funds equivalent to three percent (3%) of regular, on-going operating expenses (including transfers out). This calculation does not include non-recurring items.

2. No Internal Service Fund shall have a negative Unrestricted Net Position.

3. In addition, the City acknowledges that initially, not all funds will meet the minimum requirement for Working Capital outlined in this policy. A fund will be considered compliant with this policy as long as the financial position shows continuous improvement each fiscal year.

VII. Monitoring Performance

A. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final year-end account information becomes available. During the course of the fiscal year the Department of Finance shall closely monitor the City's revenues and expenses to ensure Reserves are not used beyond any planned usage.

B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Finance based on the requirements outlined in this policy.

C. Funding the Reserve- Funding of internal service Reserve targets will generally come from excess revenues over expenses or one-time revenues.

D. Periodic Review of the Targets – At a minimum, during the annual financial planning/budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

City of Fort Worth
Department of Finance
Internal Service Fund Reserve Policy
Non-Insurance Funds

VIII. Pooled Cash

Cash Balance- In order to provide liquidity adequate to meet the needs and demands of providing government services including unanticipated reductions in revenues or unplanned increases in expenses, Cash Balances will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense. The Reserve is intended to support this effort and counterbalance the tax collection cycle.

IX. **Conditions for Use of Reserves**

It is the intent of the City to limit use of internal service Working Capital Reserves to address unanticipated, Non-Recurring needs. Reserves shall not be applied to recurring annual operating expenses. Reserves may, however, be used to allow time for the City to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

X. **Excess of Reserves**

In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance. Priority will be given to those items that relieve budget or financial operating pressure in future periods;

2. One-time expenses that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or

3. Start-up expenses for new programs, provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenses as prepared by the Department of Finance.

XI. **Authority over Reserves**

The City Council may authorize the use of Reserves. The Department of Finance will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer/Director of Finance to ensure the presence of procedures that provide sufficient guidance to affected City personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

XIII. Metrics:
To be developed and managed accordingly.

XIV. Records:
There are no records associated with this policy.

XV. Process Flow Map:
Not Applicable.

XVI. Forms:
Not Applicable.

XVII. Appendices:
Not Applicable.

City of Fort Worth
Department of Finance
Special Revenue Fund Reserve Policy

I. Authority:

The Fort Worth City Council is responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth. The City Manager is responsible for carrying out the policy directives of the City Council and managing the day-to-day operations of the executive departments, including the Department of Finance. This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of Finance.

II. Purpose:

The City desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. In addition, this policy is intended to document the appropriate Reserve level to protect the City's credit worthiness and provide adequate cash flow based upon the traditional operating cycle. Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities and to minimize the costs associated with short-term cash borrowing.

This policy establishes the amounts the City will strive to maintain in its Special Revenue Funds as Reserves, how the Reserves will be funded, and the conditions under which Reserves may be used.

III. Applicability and Scope:

This policy shall apply to all Special Revenue Funds under the budgetary and fiscal control of the City Manager and the City Council.

This policy is applicable to Governmental Funds, and is intended to supplement, not supersede, provisions of the City governing the issuance of bonds or other obligations secured in whole or in part by revenues held in or credited to a Governmental Fund.

IV. Glossary - See definitions related to this policy provided in the appendix

V. Related Documents and References:

A. Operating and Capital Budget Policy
B. Long-Term Financial Planning Policy
C. Capital Asset Investment and Management Policy

City of Fort Worth
Department of Finance
Special Revenue Fund Reserve Policy

VI. Policy:

Reserve Levels - The City will maintain the following minimum Assigned Fund Balance:

1. A minimum Fund Balance in Special Revenue Funds equivalent to two months (16.67%) of regular, on-going Operating Expenditures (including operating transfers out). This calculation shall not include Non-Recurring Items.

2. A minimum Fund Balance in Special Revenue Funds equivalent to two months (16.67%) of the amount being paid in Debt Service payments for the subsequent year.

3. The applicable cumulative total of all above requirements will be the minimum reserve requirement for each Special Revenue Fund.

4. In addition, the City acknowledges that initially, not all funds will meet the minimum requirement for Fund Balance outlined in this policy. A fund will be considered compliant with this policy as long as the financial position shows continuous improvement each fiscal year.

VII. Monitoring Performance

A. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final fiscal year-end financial information becomes available. During the course of the fiscal year the Department of Finance shall closely monitor the City's revenues and expenditures to ensure Reserves are not used beyond any planned usage.

B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Finance based on the requirements outlined in this policy.

C. Funding the Reserve – Funding of Reserve targets will generally come from excess revenues over expenditures or one-time revenues.

D. Periodic Review of the Targets – At a minimum, during the annual financial planning / budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

VIII. Pooled Cash

Cash Balance – In order to provide liquidity adequate to meet the needs and demands of providing government services including unanticipated reductions in revenues or unplanned increases in expenditures, Cash Balances will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense. The Reserve is intended to support this effort and counterbalance the tax collection cycle.

IX. Conditions for Use of Reserves

It is the intent of the City to limit use of special revenue fund Reserves to address unanticipated, Non-Recurring needs. Reserves shall not normally be applied to recurring annual operating expenditures. Reserves may, however, be used to allow time for the City to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

X. Excess of Reserves

In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance. Priority will be given to those items that relieve budget or financial operating pressure in future periods;

2. Appropriated to lower the amount of bonds or increase the pay-as-you-go contributions needed to fund capital projects in the City's Capital Improvement Plan;

3. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or

4. Start-up expenditures for new programs, provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Department of Finance.

XI. Authority over Reserves

The City Council may authorize the use of Reserves. The Department of Finance will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer/Director of Finance to ensure the presence of procedures that provide sufficient guidance to affected City personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

XIII. Metrics:
To be developed and managed accordingly.

XIV. Records:
There are no records associated with this policy.

XV. Process Flow Map:
Not Applicable.

XVI. Forms:
Not Applicable.

XVII. Appendices:
Not Applicable.

City of Fort Worth
Department of Finance
Glossary for Financial Management Policies

a. Accrual Basis of Accounting – A basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows. For example, in accrual accounting, revenue that was earned on April 1, but for which payment was not received until July 10, is recorded as revenue on April 1st regardless of the timing of when the payment is received.

b. Annually Completed Actuarial Report – An Actuarial Report includes a type of appraisal which requires making economic and demographic assumptions in order to estimate future liabilities.

c. Business Plan- A department-level plan. In this plan, departments outline each division's Service Areas and associated key performance indicators, and priority initiatives for each. This document is meant to serve as a high-level annual performance plan, in which measures are periodically updated to facilitate continuous observation, trend analysis, and improvement of department activities and services.

d. Capital Improvement Plan (CIP) – A plan that describes the capital projects and associated funding sources the City intends to undertake in the current fiscal year plus four successive fiscal years, including the acquisition or construction of capital facilities and assets, and the maintenance thereof.

e. Capital Projects Fund – A governmental fund established to account for resources used for the acquisition of large capital improvements and non-reoccurring expense other than those acquisitions accounted for in proprietary or trust funds.

f. Cash Flow – The net cash balance at any given point. The Chief Financial Officer/Director of Finance shall prepare a cash flow analysis which projects the inflow, outflow, and net balance of cash reserves on a daily/weekly/monthly / annual basis.

g. Days Cash on Hand – A measure of cash saved that is not earmarked or designated for any purpose (unrestricted cash) which calculates the number of days a system can pay expenses associated with daily operations and maintenance before complete depletion of unrestricted cash occurs. Days Cash on Hand is calculated by dividing unrestricted cash by the system's average daily cost of operations (annual operating expenses, excluding depreciation, divided by 365).

h. Debt Service - The cash that is required for a particular time period to cover the repayment of interest and principal on a debt. Debt Service is projected on an annual basis.

i. Debt Service Fund – a fund established to accumulate resources and to account for revenues and expenditures used to repay the principal and interest on debt.

j. Deferred Inflows of Resources – resources that flow into a fund during the fiscal year, but are related to a future period. Deferred Inflows have a negative effect on net position, similar to liabilities. (Examples include: property taxes levied in the current year to finance the subsequent year's budget.

k. Deferred Outflows of Resources - resources that flow out of a fund during the fiscal year, but are related to a future period. Deferred Outflows have a positive effect on net position, similar to assets. (Examples include: resources provided to a grantee before the grantee has met related time requirements, but after all other eligibility criteria have been met).

l. Department of Finance – includes the references in the City Charter to the Department of Finance and the Department of Financial Management Services. For purposes of this policy, the Department of Finance is the department responsible for the corporate financial operations of the City.

m. Enterprise Fund - Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

n. Expenditure – refers to the value of goods and services *received* during a period of time, regardless of when they are *used* (accrual basis of accounting) or *paid* for (cash basis of accounting).

o. Expense - refers to the value of goods and services *used* during a period of time, regardless of when they were *received* (modified accrual basis of accounting) or *paid* for (cash basis of accounting).

p. Fiduciary Fund – A fund that accounts for resources that governments hold in trust for other entities.

q. Fund Balance – Fund balance is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Fund Balance is broken up into five categories:

1. Non-spendable Fund Balance – Includes amounts that are not in a spendable form or are required to be maintained intact. Examples are consumable inventories.

2. Restricted Fund Balance – Includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and donations.

3. Committed Fund Balance – Includes amounts that can be used only for the specific purposes determined by a formal action (for example, legislation, resolution, ordinance) of the City Council. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

4. Assigned Fund Balance – Comprises amounts intended to be used by the City of Fort Worth for specific purposes. Intent should be expressed by the City Manager. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at minimum, intended to be used for the purpose of that fund.

5. Unassigned Fund Balance - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund. Unassigned amounts are technically available for any purpose.

r. General Fund – One of five governmental fund types. The General Fund typically serves as the chief operating fund of a government. The General Fund is used to account for all financial resources not accounted for or restricted to another fund.

s. Governmental Fund – funds generally used to account for tax-supported activities. There are five different types of governmental funds including: General Fund, Special Revenue Funds, General Debt Service Fund, Capital Project Funds, and Permanent Funds.

t. Incurred but not Reported Claims – Claims/and or events that have transpired, but have not yet been reported.

u. Internal Service Fund- Proprietary fund type used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

v. Long-Term Financial plan (LTFP) - A Long-Term Financial Plan includes an analysis of the financial and economic environment, long-term forecasts, debt analysis, and financial strategies.

w. Modified Accrual Basis of Accounting – The accrual basis of accounting adapted to the governmental fund type spending measurement focus. Under this basis of accounting, revenues are recognized when they become both "measurable" and "available" to finance expenditures in the current period. For example, revenue that is earned and measurable on April 1, is billed on April 30th, and paid on May 1st would not be recorded as revenue until payment is received on May 1st.

x. Net Position – Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in a proprietary fund.

y. Non-Recurring Item – An expenditure that has not occurred in the previous two years and is not expected to occur in the following year.

z. Operating Expenditures (Governmental Funds) - An expenditure incurred in carrying out the City's day-to-day activities. Operating Expenditures include such things as payroll, employee benefits and pension contributions, transportation and travel.

aa. Operating Expenses (Proprietary Funds) - An expense incurred in carrying out the City's day-to-day activities. Operating Expenses include such things as payroll, employee benefits and pension contributions, transportation and travel, amortization and depreciation. Notwithstanding the foregoing, with respect to a City Enterprise for which obligations, secured in whole or in part by the revenues of such Enterprise (such as the City's Water and Sewer System), have been issued or incurred, Operating Expenses shall be determined in accordance with State law and terms of the ordinances pursuant to which such obligations were issued or incurred.

bb. Pay As You Go Financing - The use of currently available cash resources to pay for capital investment. It is an alternative to debt financing.

cc. Pooled Cash – The sum of unrestricted cash and investments of several accounting funds that are consolidated for cash management and investment purposes. Investment income or expenditure is allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

dd. Program - A set of activities, operations, or organizational units designed and directed to accomplish specific service outcomes or objectives for a defined customer.

ee. Proprietary Fund – A class of fund types that account for a local government's businesslike activities. Proprietary funds are of two types: enterprise funds and internal service funds. Both use the accrual basis of accounting and receive their revenues from charges to users. (Enterprise Fund examples: Water and Sewer Fund, Stormwater Utility Fund, Municipal Parking Fund; Internal Service Fund examples: Equipment Services, Information Systems Fund).

ff. Reserve (Governmental Funds) - Reserve refers only to the portion of Fund Balance that is intended to provide stability and respond to unplanned events or opportunities. See associated Reserve Policy for specific details.

gg. Reserve (Proprietary Funds) - Reserve refers only to the portion of Working Capital that is intended to provide stability and respond to unplanned events or opportunities. See associated Reserve Policy for specific details.

hh. Special Revenue Fund- Governmental fund type used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purpose other than debt service or capital projects and exclusive of resources held in trust for individuals, private organizations, or other governments.

ii. Unrestricted Net Position - The portion of a fund's net position that is not restricted for a specific purpose.

jj. Working Capital - An accounting term defined as current assets less current liabilities in a proprietary fund. Working Capital is used to express the Reserves available in proprietary funds for use.