



## Capital Expenditures and Improvements 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:**

This policy is intended to establish guidelines for the management of certain City capital expenditures, 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.

### **III. Scope:**

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

### **IV. Glossary**

See definitions related to this policy provided in the appendix.

### **V. Policy:**

#### **A. Capital Improvements Planning**

The City shall annually review 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.



## Capital Expenditures and Improvements Policy

---

### 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 (pay-go funding); 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. Lake Worth Expenditures

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.

### E. 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;
- 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.



## Capital Expenditures and Improvements Policy

---

### F. Spending Priority of Capital Project Funding Sources (excluding grants)

Many capital projects that are administered by the City of Fort Worth have multiple funding sources, which can include internal and external sources. The purpose of this section of the policy is to provide guidelines with respect to which funding sources should be expended in which order. Several scenarios apply based upon whether the project has bond funding. The questions below are intended to provide assistance in selecting which priority model to use.

1. Does the project have bond funds? Yes or No?
2. If “no” to question number 1, use Spending Priority Model A
3. If “yes” to question number 1, were the bonds issued before or after 2014? Before or After?
4. If “after” is the response to question 3, use Spending Priority Model B
5. If “before” is the response to question 3, use Spending Priority Model A

#### Spending Priority Model A (No Bond Funds OR Bond Funds Issued Before Fiscal Year 2014)

Priority One: sources of funds that should be spent first include projects where a source external to the City is funding a portion of the project. Examples of sources of funds that come from outside the City include:

- An inter-local agreement with another governmental agency
- Contribution from an outside source, i.e. a donation, or gift of funds
- Developer contributions

Priority Two: proceeds from any type of debt issuance, including tax notes, bonds, loans, etc. Each department should keep in mind that the failure to spend debt proceeds in a timely manner results in substantial additional overhead for the City due to additional IRS reporting requirements.

Priority Three: Externally restricted funding sources. These types of funding sources include those items where an external restriction exists on the use of funds. Examples include the Crime Control and Prevention District or the Environmental Management Fund, where restrictions in the state law exist.

Priority Four: Internally restricted funding sources. Similar to the above,



## Capital Expenditures and Improvements Policy

---

these are funding sources where internal restrictions exist. Traditionally internal restrictions exist due to an action taken by the Mayor and Council, such as the adoption of the Financial Management Policy Statements which designate the use of specific revenues to specific purposes, i.e. DFW Airport Sharing Revenue to the Culture and Tourism activity or Gas Well Lease income to specific purposes.

Priority Five: Non-restricted internal funding sources. These would primarily be funding sources, such as the General Fund, where funds can be used for any use the City deems and warrants necessary. These funds should always be spent last due to the ability to re-program any remaining funds when a project is completed to other identified needs within the City.

### Spending Priority Model B (Project Includes Bond Funds issued During or After Fiscal Year 2014)

Priority One: proceeds from any type of debt issuance, including tax notes, bonds, loans, etc. Each department should keep in mind that the failure to spend debt proceeds in a timely manner results in substantial additional overhead for the City due to additional IRS reporting requirements.

Priority Two: sources of funds that should be next include projects where a source external to the City is funding a portion of the project. Examples of sources of funds that come from outside the City include:

- An inter-local agreement with another governmental agency
- Contribution from an outside source, i.e. a donation, or gift of funds
- Developer contributions

Priority Three: Externally restricted funding sources. These types of funding sources include those items where an external restriction exists on the use of funds. Examples include the Crime Control and Prevention District or the Environmental Management Fund, where restrictions in the state law exist.

Priority Four: Internally restricted funding sources. Similar to the above, these are funding sources where internal restrictions exist. Traditionally internal restrictions exist due to an action taken by the Mayor and Council, such as the adoption of the Financial Management Policy Statements which designate the use of specific revenues to specific purposes, i.e. DFW Airport Sharing Revenue to the Culture and Tourism



## Capital Expenditures and Improvements Policy

---

activity or Gas Well Lease income to specific purposes.

Priority Five: Non-restricted internal funding sources. These would primarily be funding sources, such as the General Fund, where funds can be used for any use the City deems and warrants necessary. These funds should always be spent last due to the ability to re-program any remaining funds when a project is completed to other identified needs within the City.

### G. Spending Priority of Grant Related Capital Projects

Spending Priority Model B identified above should generally be followed for grant funded projects, as long as the priorities and methodologies are consistent with the grant requirements. Where the grant requirements differ from the above identified City priorities, the grant priorities should prevail.