

Mayor and Council Communication

DATE: 09/13/22

M&C FILE NUMBER: M&C 22-0660

LOG NAME: 13ADOPT_FMPS_FY2023

SUBJECT

(ALL) Adopt Updated Financial Management Policy Statements for Fiscal Year 2023, Required to be Approved Annually, Including Non-material Changes to Existing Policies and an Additional Policy related to Lease Capitalization

RECOMMENDATION:

It is recommended that the City Council adopt the attached updated Financial Management Policy Statements for Fiscal Year 2023 including non-material changes to existing policies and the addition of a new lease policy related to lease capitalization

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to adopt updated Financial Management Policy Statements (FMPS) for Fiscal Year (FY) 2023, effective October 1, 2022. The FMPS provide the foundation for strong fiscal management by providing guidance on consistent practices ensuring both short-term and long-term financial success for the City of Fort Worth.

The FMPS were initially adopted by the Mayor and City Council on January 15, 1994 and have been subject to annual review and revision since that time. Adoption of the FMPS comes under the auspices of the City's Charter, which outlines the need to adopt policies to administer and safeguard the City's financial resources.

The FMPS contain sections which provide policy-level guidance on such topics as revenues, expenditures, reserves, debt management, inter-fund loans, investments, grants, capital assets, accounting, auditing, financial reporting and internal controls. Each topic comprises its own section of the overall policy document and is reviewed and recommended for update from time to time. The adoption of the revised policies is intended to replace/supersede all previously adopted financial policies.

The updates to the FMPS for FY2022 are providing changes ensuring best practices per the most current guidance from the Office of Management and Budget (OMB), the Governmental Accounting Standards Board (GASB), and Generally Accepted Accounting Principles (GAAP).

The proposed changes to the FMPS for Fiscal Year 2023 include the following:

FMPS Section IV(a) - Capital Assets Policy

Section VIII - Capitalization

Adds Item 8 establishing capitalization threshold for leased bulk machinery and equipment

Section XI - Retirement

Revised to reflect current processes for auctioning Fleet equipment

Section XII - Surplus and (Salvage Sales)

New section added to provide guidelines for disposal of non-capital assets

All Sections - General, grammatical and formatting corrections

FMPS Section V - Debt Policy

Section V.D. - Debt Structure

Removes average life of bond requirements for general obligation and revenue bonds and adds guideline to issue bonds structured with level principal or level debt service, with a preference towards level debt service.

Adds provision exempting revenue bonds from increasing debt service levels so long as structure provides uniform coverage levels across the life of the bonds.

Section V.E. - Call Provisions

Revises call provision guideline, whereas bonds shall be callable within ten (10) years and without any call premium

Section V.K. - Debt Refunding

Reduces refunding threshold for net present value savings on refunded bonds from 3.5% to 3.0%

All Sections - General, grammatical and formatting corrections

FMPS Section V(a) - Debt Monitoring Policy

Section II: Purpose

Includes public property finance contractual obligations as a possible debt instrument

FMPS Section VIII - Grants Policy

Section V.A. - Grant Identification, Application, Acceptance

Item 4(f): Addition of required language for Mayor & Council Communications for grant funded positions

Section V.B. - Grant Set-Up

Item 1: Addition of language stating grant projects will not be set up until grant awarded and documentation received

Section V.C. - Grant Management

Item 5: Addition of a requirement to retain evidence of periodic System for Award Management (SAM) searches.

Item 6. Addition of a requirement for all reporting submitted to granting agencies be reviewed and given evidence of approval prior to being submitted.

Item 7. Addition of a requirement to include evidence of review and approval with copies of submitted reports provided to the Financial Management Services Grant Accountants.

All Sections - General, grammatical and formatting corrections

FMPS Section XV - Lease Policy

This is a new policy defining and providing the guiding principles with respect to the financial management of leases and subscription-based Information Technology agreements for the City of Fort Worth. Lease types are defined, GASB compliant accounting processes are presented, and responsibilities both city-wide and within the Financial Management Services Department are outlined.

Glossary

Added Items kk through nn related to the Capital Assets Policy

The redlined and clean copies of the FMPS are attached to this M&C for reference.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies approval of this recommendation will have no material effect on City Funds.

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Expedited