



FINANCIAL MANAGEMENT SERVICES

200 Texas Street  
FORT WORTH, TEXAS 76102

[WWW.FORTWORTHTEXAS.GOV/FINANCE](http://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 expenditures of available resource.
- III. **Fund Reserve Policies:** 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. **Cash and Investment Management:** 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. **Grants:** Seek, apply for and effectively administer federal, state, and foundation grants-in-aid, which address the City's current priorities and policy objectives.
- IX. **Fiscal Monitoring:** Prepare and present regular reports that analyze, evaluate, and forecast the City's financial performance and economic condition.
- X. **Accounting, Auditing and Financial Reporting:** Comply with prevailing federal, state, and local statutes and regulations, as well as current professional principles and practices.
- XI. **Retirement System and OPEB Health Care Trust:** Ensure that the Employees' Retirement Fund is adequately funded and operated for the exclusive benefit of the participants and their beneficiaries.

**XII. *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.

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

**XIV. *Donations:*** Establish guidelines for accepting gifts and donations in a responsible, transparent, and accountable manner that is consistent with the City's strategic goals.

**XV. *Lease Policy:*** Define and provide guiding principles for financial management of leases and subscription-based information technology arrangements to ensure consistent lease practices and establish, maintain and enforce a sound system of operational procedures and internal controls.

**XVI. *Sponsorship Policy:***

Ensure consistent practices regarding payments made to support local festivals, special events, community projects or programs, and other similar activities that are not controlled or hosted by the City.

**XIV.XVII.** ***Glossary:*** an alphabetical list of terms or words found in or relating to the Financial Management Policies



# Revenue Policy

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## I. Authority

The Fort Worth City Council is responsible for legislation, policy formulation, and setting the overall direction of government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth (“City”). 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 Financial Management Services Department (“FMS”). This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of FMS (“CFO”).~~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 and Assistant City Managers are 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 and Assistant City Managers by the Chief Financial Officer / Director of Finance.~~

## II. Purpose

This policy is intended to establish guidelines for the management of certain City of Fort Worth revenues in order to design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired City services.

## III. Applicability and 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 Glossary for Financial Management Policy Statements ~~appendix~~.

## V. Policy:

### 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 revenue source due to changes in national or local economic conditions which adversely impact that source.



## Revenue Policy

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### 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. 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 user fees shall be set at levels sufficient to cover operating expenses, 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 enterprise funds from the General Fund.

### E. Administrative Services Charges

The City shall establish a method to annually determine the administrative services charges due the General Fund from other funds for overhead and staff support. Where appropriate, governmental and proprietary funds shall reimburse 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



## Revenue Policy

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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. 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.

### J. Use of One-time Revenues

The City shall discourage using one-time revenues to fund ongoing expenditures.

### K. Use of Unpredictable Revenues

The City shall exercise caution when using unpredictable revenues to fund ongoing expenditures.

### L. Governmental Funds Investment Income Allocation

Absent an applicable provision of law or contractual agreement, the allocation of pooled investment income for all governmental funds where the General Fund is the “home fund” shall be recorded as investment income in the City’s General Fund with the exception of investment income derived from the investment of bond or debt proceeds.

- Investment income derived from the investment of bond or debt proceeds shall be allocated to the applicable debt service fund.
- The City Manager is authorized to re-direct surplus Governmental Funds investment income derived from resources other than bond or debt proceeds to one-time initiatives, capital projects, or as a transfer to the General Debt Service Fund.

### M. Investment Income to Offset Debt Administration Costs

A portion of Governmental Funds’ investment income other than that which is derived from the investment of bond or debt proceeds will be credited to the General Fund to offset General Fund expenditures associated with the administration of debt. These



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expenditures include but are not limited to:

- Personnel costs (salaries and benefits) associated with the portion of time applicable to the execution of debt administrative and related compliance activities.
- Supplies
- Printing
- Training and Professional Development
- Professional and Consulting Services
- Technology (one-time or subscription)
- Other directly related expenditures

The amount of General Government Funds' investment income to be credited to the General Fund to offset General Fund expenditures associated with the administration of debt will be determined annually in conjunction with the annual budget development process.

# Gas-Related Revenue & Expense/Expenditure Policy

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## I. Authority

The Fort Worth City Council is responsible for legislation, policy formulation, and setting the overall direction of government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth (“City”). 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 Financial Management Services Department (“FMS”). This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of FMS (“CFO”).

~~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 and the Assistant City Managers are 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 and the Assistant City Managers by the Chief Financial Officer / Director of Finance.~~

## II. Purpose:

This policy is intended to establish guidelines for the management of certain City gas-related revenue and associated expenditures/expenses in order to ensure reliable, equitable, and diversified allocation and use of these funds. The goal for these funds is to strike a balance between current and future needs that are funded from a non-recurring and unpredictable resource.

## III. Scope:

This policy addresses revenue derived from (i) ad valorem tax on mineral valuations; (ii) leases for the development of natural gas from under City-owned property; (iii) license or easement fees paid for the installation of gas gathering pipelines under City-owned property; and (iv) income of the Fort Worth Permanent Fund (Trust).

## IV. Glossary

See definitions related to this policy provided in the appendix.

## V. Revenue Allocation:

### A. Trust/Endowment Fund



# Gas-Related Revenue & Expense/Expenditure Policy

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1. The City has established 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.
2. 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/Director of Finance

# Gas-Related Revenue & Expense/Expenditure Policy

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will be empowered to make fund management decisions and recommendations consistent with an adopted investment policy of the City Council. The Chief Financial Officer/Director of Finance shall serve as the financial guardian of the Trust ensuring fiscal stability, overseeing the trustee 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 this policy and the trust documents. The Chief Financial Officer/Director of Finance shall be precluded from making specific expenditure decisions. Such decisions will be made by the City Council upon recommendation by the City Manager.

3. The Trust instrument may be substantively amended upon the completion of the process outlined within the trust documents.
4. To the extent not in conflict with 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.
5. 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 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. Other sub-accounts may be created in order to account and track for funds as approved within this policy.

The goal of the Trust Fund is to produce income from investments and be a long-term income source for the benefit of both present and future Fort Worth citizens. The trustee, in close cooperation with the Chief Financial Officer/Director of Finance, 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 trust principal. 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 Chief Financial Officer/Director of Finance consistent with the Trust agreement approved by the Mayor and City Council.

The recommended distribution of available ~~mineral lease proceeds~~ investment income generated from the Trust corpus ~~from the General Endowment Fund and the General Gas Lease Capital Fund~~ shall be included in the annual operating and capital budgets as recommended by the City Manager. This distribution from the Trust will be determined annually each April with City Council authorization to occur in June.

# Gas-Related Revenue & Expense/Expenditure Policy

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6. In the event investment regulations prohibit the intended growth and
7. 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 Chief Financial Officer/ Director of Finance.
8. To facilitate prudent management and reasonable returns and growth for the Trust Fund, during the 81st Legislative Session, the Public Funds Investment Act (Texas Local Government Code Chapter 2256) was amended. As amended the Act allows the Trust Fund to be managed in a flexible manner consistent with the Uniform Prudent Management of Institutional Funds Act (Texas Property Code Chapter 163).

## B. Revenue from Current Receipts

### 1. Ad Valorem Tax Revenue

The ad valorem receipts on mineral valuations will be allocated to the General Fund.

### 2. 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 generally be allocated in the manner outlined below, provided, however that no allocation may be made except in compliance with the Water and Sewer System's Master Ordinance and applicable Supplemental Ordinances and bond covenants. To the extent that gas-related revenues subject to this subsection are needed in order to comply with covenants and duties for the System's Outstanding Obligations, they shall be allocated first to such compliance.

#### Water and Sewer - Lake Worth Property

Funds from Water and Sewer property 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.

#### Water and Sewer – Other Property

All revenue derived from other Water and Sewer assets will be allocated as follows:

# Gas-Related Revenue & Expense/Expenditure Policy

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- a. Seventy-five percent (75%) to the Water and Sewer Gas Lease Capital Projects Fund.
  - b. Twenty-five percent (25%) of the revenues will be allocated to the Water and Sewer Endowment Gas Lease Fund.
3. Park land - Lake Worth

Funds from 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.

4. Park land - Fort Worth Nature Center and Refuge

## Allocation of Bonus

Bonus revenues from gas leases associated with the Nature Center will be allocated first to establish the Nature Center Endowment Gas Lease Fund such that a ten million dollars (\$10,000,000.00) corpus will be established within the Endowment Fund. Any remaining bonus funds will be allocated as follows:

- a. Fifty percent (50%) to the Nature Center Gas Lease Capital Improvement Program to implement the Nature Center Master Plan; and
- b. Fifty percent (50%) to the Park Gas Lease Capital Project Fund.

## Allocation of Royalties and Other Lease Revenues

Royalty and all other revenue from gas leases associated with the Nature Center will be allocated in accordance with the paragraphs below. Allocation shall vary depending on whether such allocation occurs before or after Full Funding of the Master Plan as defined in the following paragraph.

In 2009, the City Council adopted Resolution 3765-07-2009, which endorsed the allocation of \$62 million, adjusted for inflation, to provide full funding of the Nature Center Master Plan, which was incorporated into the City's Comprehensive Plan in February 2004 (M&C G-14276). In accordance with that Resolution, the term "Full Funding of the Master Plan" shall mean a total combined allocation to the Nature Center Endowment Gas Lease Fund and the Nature Center Capital Improvement Program of an amount that, as adjusted by the Consumer Price Index, represents the equivalent of \$62 million in 2009.

Until Full Funding of the Master Plan (as described above) has been achieved, all royalties and other revenue received from gas leases associated with the Nature Center will be allocated as follows:

# Gas-Related Revenue & Expense/Expenditure Policy

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- a. Twenty-five percent (25%) to the Nature Center Gas Lease Capital Improvement Program
- b. Twenty-five percent (25%) to the Park Gas Lease Capital Project Fund; and
- c. Fifty percent (50%) to the Park System Endowment Gas Lease Fund.

After Full Funding of the Master Plan (as described above) has been achieved, all royalties and other revenues received from gas leases associated with the Nature Center will be allocated as follows:

- a. Fifty percent (50%) to the Park Gas Lease Capital Project Fund; and
- b. Fifty percent (50%) to the Park System Endowment Gas Lease Fund.

## 5. Park land - Municipal Golf Courses

Bonus, royalty and other natural gas-related fee revenue derived from designated golf course property, including pipeline easements and license agreements, will be allocated solely to the Golf Gas Lease Capital Project Fund.

## 6. Park land - Bonuses

Unless otherwise specified in subsections 3-5 above, all bonus revenues from gas leases associated with park land will be recorded in the Park Gas Lease Capital Project Fund and will be designated for use for capital improvements within the park system.

## 7. Park land - Royalties and Fees for Federal/State Restricted Parks

With the exception of the Nature Center, 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 shall be allocated as follows:

- a. Fifty percent (50%) to the Park Gas Lease Capital Project Fund; and
- b. Fifty percent (50%) to the Park System Endowment Gas Lease Fund.

This same allocation shall be used for all gas-related revenues generated from the Fort Worth Nature Center and Refuge that are not otherwise allocated under subsection 4 above.

# Gas-Related Revenue & Expense/Expenditure Policy

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## 8. Municipal Airports Fund

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

1. Fifty percent (50%) to the Aviation Gas Lease Capital Project Fund for aviation capital improvement projects; and
2. Fifty percent (50%) to the Aviation Endowment Gas Lease Fund.

## 9. 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.

## 10. 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 provided to such City-affiliated corporation to support its lawful activities per the policies and oversight of its respective governing board.

## 11. 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:

1. Fifty percent (50%) of the revenue will be allocated to the General Gas Lease Capital Projects Fund; and
2. Fifty percent (50%) of the revenue will be allocated to the General Endowment Gas Lease Fund.

## 12. Minimum Payment Threshold

Notwithstanding anything in this policy to the contrary, if a gas- related revenue payment is \$500 or less, one hundred percent of the payment will be allocated

# Gas-Related Revenue & Expense/Expenditure Policy

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to the respective Gas Lease Capital Project Fund.

## 13. Interest Income

Interest earnings received from any Gas Lease Endowment Fund will be allocated solely to the respective fund's Gas Lease Capital Project Fund.

## VI. Expenditures/Expenses

Expenditures/Expenses of revenues derived from lease bonuses and royalties, 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:

1. Capital projects with a minimum ten (10) year useful life
2. To provide matching grant funds to leverage funds for capital projects;
3. Technology with a minimum five (5) year useful life;
4. Acquisition of equipment and fleet assets including contributions to a revolving replacement fund;
5. Capital equipment with a minimum ten (10) year useful life;
6. To fund one-time community-wide economic and neighborhood development initiatives and projects;
7. To fund labor and materials associated with production, distribution and establishment activities for trees on public property (including school and county property);
8. To periodically transfer funds to the General Fund to offset budgeted administrative costs associated with administering this policy and managing the City's gas leases and pipeline agreements, with the allocation of the cost being proportional among all gas revenue funds according to each fund's relative percentage of the total revenue collected in all funds (including the Trust/Endowment funds and City affiliated corporation funds) during that reporting period;
9. To periodically transfer Park funds from gas lease and pipeline revenues to the General Fund to offset program costs associated with leases, conversions, and pipelines;

# Gas-Related Revenue & Expense/Expenditure Policy

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10. 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 reserve requirements established for that fund;

11. To make payments in support of arts organizations provided, however, 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. Notwithstanding, royalties received in the General Gas Lease Capital Project fund can be considered for allocation in support of the Fort Worth Public Art Collections Management (capital maintenance) Program. The annual payment amount from the General Endowment Gas Lease Fund in support of arts organizations will be limited to the approved contract budget subject to funds availability within the annual distribution.

~~11.~~12. To provide a minimum of one million dollars (\$1,000,000), subject to funds availability within the annual distribution, for the acquisition of land to serve as open space, green space, natural area or other similar properties that will preserve or increase the permeable surfaces in the city.





## Revenue Receipting Policy

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### **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 ("City"). The City Manager ~~and the Assistant City Managers are~~ 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 Financial Management Services Department ("FMS"). ~~Department of Finance~~. This policy shall be administered on behalf of the City Manager ~~and the Assistant City Managers~~ by the Chief Financial Officer/Director of FMS Finance ("CFO").

### **II. Purpose**

This policy defines and provides the guiding principles with respect to Revenue Receipting, including the handling of cash, reconciling payments received, and reporting on receipting activity occurring within the City of Fort Worth ("~~the~~ City"). The objectives of this policy are to ensure consistent revenue receipting practices and to safeguard against loss, unauthorized use, or misappropriation of assets. Controls are created to establish, maintain, and enforce a sound system of operational procedures in accordance with industry best practices and internal control objectives. These controls address the decentralized nature of the processes associated with receipting and depositing revenue while also providing standards and minimally acceptable practices for these activities.

### **III. Applicability and Scope**

All employees of the City, including uniformed employees having revenue receipting, cash handling, and payment reconciliation responsibilities shall conduct all related activities in compliance with rules and guidelines set forth by this policy, and by their respective departmental cash handling and reconciliation procedures.

### **IV. Glossary**

See definitions related to this policy provided in the Glossary for Financial Management Policy Statements. ~~Policies.~~



## Revenue Receipting Policy

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### **V. General Policies**

- A. Each department is required to maintain a listing of the locations and the employees who perform revenue receipting activities. Each department shall provide this listing to the Department of Financial Management Services (“FMS”) on an annual basis. This list must include the name, employee ID, login ID, and department number of all staff that handle payments at each location.
- B. The number of employees with access to a change drawer shall be limited to staff that are required to handle payments as part of their job function. Separation of duties must exist between those employees receiving and receipting payments and those individuals who will perform the accounting and recordkeeping functions pertaining to revenue intakes.
- C. Where adequate separation of duties is precluded due to limited available personnel or other operational constraints, the Department Supervisor shall perform specific verification functions to discourage misappropriation and/or theft. The Supervisor shall not be involved in the original transaction steps subject to verification. Departments should confer with FMS to establish other mitigating controls where separation of responsibility is precluded.
- D. Generally, revenue receipted by all departments shall be deposited at the City’s banking institution within twenty-four (24) hours of receipt. Departments, in conjunction with the CFO, shall assess the reasonableness, practicality, and security in determining deposit timing into the City’s banking institution. Departmental receipts shall not be used to create or replenish other funds.



## Revenue Receipting Policy

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E. All revenue receipted should be accurately recorded into the City's software systems real-time when such systems are available. Receipt of all payments should be recorded within the general ledger within one business day.

E.F. Management review and approval of such recordings shall be completed within two business days of deposit.

F. Employees performing payment receipting functions must use due diligence in handling City assets to ensure that reasonable protection is provided to those assets at all times. Employees must report to their department supervisor, who in turn should submit the report to FMS and the Internal Audit Department, of any instance where a City employee has knowledge or suspicion of a theft or dishonest act by another City employee.

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## Revenue Receipting Policy

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H.G.

H.H. Employees receipting payments shall not knowingly accept counterfeit bills, foreign, or mutilated currency.

H.I. Employees receipting payments shall not make adjustments to invoices. The departmental supervisor or designated authorized employee shall make any necessary corrections, changes, or adjustments to amounts billed to a City customer.

K.J. Discrepancies between the amounts deposited at the City's financial institution, written receipts, and/or cash register or computer system generated receipts, must be recorded along with appropriate supporting documentation. The supervisor must review, on a daily basis, such documentation and follow up with the appropriate corrective action. Any cash overages/shortages must be recorded to the appropriate account in the general ledger. Cash overages should be promptly deposited and cash shortages should be promptly replenished. Department Directors have the ultimate responsibility to ensure discrepancies are identified and corrective measures are taken.

L.K. Funds from Cash/Change Drawers or Imprest Funds, which are no longer necessary for departmental operations must be deposited into a City owned bank account within forty-eight (48) hours from the date the determination is made the Cash/Change Drawer or Imprest Fund is no longer necessary for departmental operations.

### **VI. Cash/Change Drawer and Imprest Funds**

#### **A. Cash/Change Drawers**

The following procedures will be maintained for all Cash/Change Drawers:

1. Each employee performing payment receipting functions and activities



## Revenue Receipting Policy

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shall have their own Cash/Change Drawer from which to work.

2. Employees performing payment receipting functions on any given business day shall open their Cash/Change Drawer and reconcile to the pre-defined amount of cash/change assigned to the drawer before beginning revenue receipting activity.

~~3.~~ At the end of the business day, all employees performing payment receipting functions will balance and close their Cash/Change Drawer through a review of

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## Revenue Receipting Policy

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~~7.3.~~ the receipts and transactions recorded in an automated or manual point of sale system. All receipts shall be prepared for bank deposit.

~~8.4.~~ The supervisor of the employee performing payment receipting functions shall verify the accuracy of the revenue received during the day through a review of the receipts and transactions recorded in an automated or manual point of sale system.

~~9.5.~~ The ending balance of the Cash Drawer shall be the same as the beginning balance, and equal to the amount assigned to each respective drawer.

~~10.6.~~ Completed daily deposits shall be kept in a locked combination vault or safe, or in a locked room in a locked drawer or file cabinet until it can be transmitted to the depository institution through an armored car service.

~~11.7.~~ The amount of beginning cash within a Cash Drawer will be periodically evaluated based upon the number of transactions, the volume of cash versus other payment types, and the frequency change is forecasted to be needed in an average day.

~~12.8.~~ Cash maintained for the purpose of making change must not be commingled with operational cash amounts and should not be used for any other purpose.

### **B. Imprest Funds**

Imprest Funds are designated amounts of cash held outside of the general treasury and the use of such funds is subject to the City of Fort Worth Police Department's operating procedures.



## Revenue Receipting Policy

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### **VII. Requesting a New and/or Increase in a Cash/Change Drawer or Imprest Fund**

Authority to establish or modify a Cash/Change Drawer or Imprest Fund must be initiated by a request from a Department Director and receive approval from the CFO. The CFO has the ability to delegate this function to appropriate staff within FMS. Departments shall collaborate with the CFO, or his/her designee, to establish and maintain a system of procedures, controls, and reporting activities associated with the receipting of payments and depositing of funds for all areas of their revenue receipting operations. Each Cash/Change Drawer and Imprest Fund shall be assigned an amount of cash as the beginning/opening balance. This amount shall be determined based upon the

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## Revenue Receipting Policy

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activity level of the department and the associated business operational requirement and should be maintained throughout the lifecycle of the Cash/Change Drawer or Imprest Fund.

### **VIII. Petty Cash**

The City of Fort Worth does not allow any department to own or operate Petty Cash funds.

### **IX. Training**

All new employees who have payment receipting responsibilities must successfully complete the City's Cash Handling Policies and Procedures course within thirty (30) days of employment. Existing employees must contact the FMS Department to register to take the cash handling course upon obtaining the cash receipting responsibility. Employees performing payment receipting activities are required to complete the cash handling course annually, subsequent to the initial training. Successful completion of this course is defined as achieving at least a seventy percent (70%) passing grade on the test administered upon completion of the course.

It is the responsibility of the department to notify FMS when a new or transferred employee becomes responsible for payment receipting activities and whenever an employee is no longer responsible for payment processing. In addition, it is the responsibility of the operating department to ensure all staff responsible for payment receipting activities complete the City's Cash Handling training at least annually.





## Revenue Receipting Policy

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The FMS Department is responsible for providing all training related to Cash Handling and payment processing. ~~The FMS Department and~~ in conjunction with the IT Solutions Department, will notify employees when they are due for their annual training. Notwithstanding, the operational department(s) retain ultimate responsibility for ensuring that all employees with cash handling responsibilities ~~attend and~~ successfully complete the training outlined herein.

The IT Solutions Department maintains training records for Cash Handling. Employees may access a list of courses completed in the system at any time.

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## Revenue Receipting Policy

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### **X. Receipt of Payments**

#### **A. Cash**

1. The cash~~ier-custodian~~ should have complete control and responsibility when collecting and securing the cash received from customers.
2. The cash drawer must be securely locked when the cashier is away from the cash drawer.
3. To reduce the risk of error, all cash should be separated according to the denomination, and should be sorted face up in the same direction.
4. The cash~~ier-custodian~~ should test each negotiable instrument used to make a payment to the City of Fort Worth to ensure it is not counterfeit.

#### **B. Checks**

1. Checks, ~~traveler's—checks~~, money orders and other negotiable instruments must be made payable to the “City of Fort Worth” and shall be promptly endorsed upon being received.
2. All checks made payable to the City of Fort Worth shall be accepted only in the amount of the transaction. Checks may not be written for more than the amount due to the City.



## Revenue Receipting Policy

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3. When accepting a check for amounts due to the City, the cashier-~~eustodian~~ shall capture the following payer's information and note same at the top of the check:
    - (1) Driver's license number and state issuing the identification
    - (2) Physical home address
    - (3) Valid Telephone number
    - ~~(3)~~(4) Only accept checks drawn on a United States Bank and for U.S. dollars.
  4. No temporary, post-dated, or third-party checks are to be accepted by the City.
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## Revenue Receipting Policy

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5. Check cashing is strictly prohibited by this policy.

### **C. Credit/Debit Cards**

Employees taking payments are required to follow the information security procedures covered in the IT Security Administrative Regulations located on the City of Fort Worth Intranet. Employees are to be aware of and adhere to Payment Card Industry Data Security Standards (“PCI-DSS”) practices at all times. Departments should exercise care with regard to credit card terminal and receipts in compliance with PCI-DSS requirements.

1. Employees should encourage customers to pay with a credit/debit card whenever possible. Credit/debit card use promotes a stronger internal control environment.
2. Employees should never write down or store a customer’s credit card information.
3. Employees should request customer identification (i.e. Government issued Driver’s License or Identification Card) to ensure the customer name matches the credit card provided for payment.

### **XI. Transaction Receipts**

Customers are entitled to, and should always be provided with, a receipt detailing information about the payment made. All departments with revenue receipting operations must maintain a permanent collection record such as a cash register tape or point of sale system report detailing all payment related



## Revenue Receipting Policy

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transactions including voids, refunds, or cancellations. Receipts shall be sequentially numbered and unique to each transaction.

### **XII. Refunds and Overpayments**

Refunds from Cash/Change Drawers or Imprest Funds are prohibited unless the overpayment/void occurs within the same day as the original receipt. There must be a system to track and report any voided transaction(s) and the approval by the appropriate departmental supervisor. Refunds and voids relating to a prior day's activity may only be made through Accounts Payable and must be properly approved by the appropriate departmental supervisor. In situations where the department has a computerized system to process refunds/voids, the operating department is responsible for ensuring the accurate accounting and approval of refunds and voids through the computerized system.



## Revenue Receipting Policy

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~~departmental supervisor. Refunds and voids relating to a prior day's activity may only be made through Accounts Payable and must be properly approved by the appropriate departmental supervisor. In situations where the department has a computerized system to process refunds/voids, the operating department is responsible for ensuring the accurate accounting and approval of refunds and voids through the computerized system.~~

### **XIII. Safeguarding**

Access to the Cash Drawer should be limited to one person. The Cash Drawer shall be counted and balanced before another person takes possession of the Cash Drawer. Both parties involved in the Cash Drawer transfer shall be present when cash is counted, and a receipt shall be signed by the person accepting custody of the Cash Drawer.

- A. All areas surrounding the cash handling sites shall be visible and without obstruction.
- B. Dual control over the processing and storage of all monetary intakes should be utilized.
- C. All funds shall be kept out of public view and shall be available for inspection by authorized City personnel such as the FMS Department, the City Auditor, or other authorized personnel as approved by the CFO.
- D. Physical protection of payments through the use of bank facilities, armored vehicles, vaults, locked cash boxes, tamper proof bags, or locked drawers shall be utilized at all times. Only assigned personnel shall have access to keys and vault combinations.



## Revenue Receipting Policy

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- E. Armored car services should be utilized based on a mutually agreeable schedule between the department and the CFO or his or her designee. The operating department and the CFO shall agree upon a schedule that promotes timely deposit of revenue, but does not create a cost for this service outweighing the benefit.
  - F. Cash should never be transported to the City's banking institution by any method other than Armored Car service.
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## Revenue Receipting Policy

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### **XIV. Liability for Loss**

Departments performing payment receipting activities retain the ultimate liability for misappropriation and loss or theft of all funds on hand (including, but not limited to cash and change drawers, daily receipts, imprest funds, equipment containing cash, etc.) until such time as the custody is transferred to an armored car service or to the Department of Financial Management Services through delivery of a deposit for processing. Departments are required to notify the Assistant Director over Treasury, the City Auditor, and the Risk Management Division, in writing, by the next business day, in the event any funds are lost or stolen. This written notification must include the date and amount of the loss in addition to an explanation and description of the sequence of events that lead to the discovery of the loss, and a copy of the police report.

### **XV. Monitoring Performance**

Departmental controls shall include a practical means for employees to report instances where system controls, processes and/or procedures are overridden that could increase the City's risk exposure. Department Directors, Assistant Directors, and Managers/Supervisors shall monitor and annually assess any risk areas and adopt appropriate strategies to manage these functions, thereby minimizing loss opportunities.

### **XVI. Audits**





## Revenue Receipting Policy

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The FMS Department will perform Cash/Change Drawer audits to determine whether each Cash/Change Drawer and Imprest Fund balance is in agreement with the associated balance on the City's General Ledger.

The operational department(s) are responsible for auditing and validating all Cash/Change Drawer and Imprest Fund balances on a quarterly basis and providing authorized FMS Department personnel full access to all funds at all revenue collecting locations.

The FMS Department is responsible for notifying the operational department(s), within a reasonable lead time, to ensure the person with authority is available during the audit. At the conclusion of each

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Cash/Change Drawer and Imprest Fund audit, the FMS department will provide a memo detailing the results of the audit which will include instruction for how to handle identified discrepancies.



## Revenue Receipting Policy

### XVII. Revision History

<u>Changes</u>	<u>By</u>	<u>Date</u>
<u>Created and adopted to administer and safeguard the City's financial resources. M&amp;C G-19058</u>	<u>Financial Management Department</u>	<u>08/15/2017</u>
<u>Added clarification relating to the departmental responsibility. Added clarification relating to the timing of recording, reviewing, and approving deposits. Added more detailed instruction/requirements in the Liability for Loss section. M&amp;C 19-0260</u>	<u>Financial Management Department/Treasury</u>	<u>10/22/2019</u>

<u>Changes</u>	<u>By</u>	<u>Date</u>
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## Revenue Receipting Policy

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For additional information or questions concerning this policy, please contact the FMS Treasury Office at (817) 392-8500.

~~Revised Policy Approved by Council: October 22, 2019 M&C 19-0260~~

# Payments from Water and Sewer Fund to Other Funds

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## **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 and the Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and the Assistant City Managers by the Chief Financial Officer / Director of Finance.

## **II. Purpose:**

The Water and Sewer Fund is an Enterprise Fund, with the Water and Sewer System operating similar to a business in the private sector. However, as a tax-exempt governmental unit, the Fund does not pay franchise fees or property taxes that would be required of a private utility. The purpose of this policy is to outline the assessment of charges and fees to the Water and Sewer Fund by the General Fund in order to provide revenue for general government services comparable to what would be received from a private utility. In addition, this policy is also intended to address contributions from the Fund in support of the City's Public Art Program.

## **III. In General:**

Payments from funds within the Water and Sewer System must comply with the Master Ordinance (Ordinance 10968), which establishes the revenue financing program that provides for issuance of System revenue bonds to finance capital improvements. The rate covenant in the Master Ordinance obligates the City to establish and collect rates "necessary to produce Gross Revenues and other Pledged Revenues sufficient (1) to pay all current Operating Expenses, (2) to produce Net Revenues for each Fiscal Year at least equal to the Annual Debt Service Requirements during such Fiscal Year of the then Outstanding Parity Obligations, and (3) to pay all other financial obligations of the System reasonably anticipated to be paid from Gross Revenues." To fully implement this policy, in designing rates the Water and Sewer System shall also take into account payments under this policy to the extent allowed by applicable law and current contracts.

Under the Master Ordinance, payments such as those outlined in this policy can only be made from Excess Pledged Revenues, which, generally speaking, consist of System revenues that remain available after all Operating Costs have been paid and all debt-related obligations have been met. The following paragraph describes in more detail the process for determining Excess Pledged Revenues under the Master Ordinance.

In accordance with the Master Ordinance, Gross Revenues of the Water and Sewer System are reduced by Operating Costs to determine Net Revenues, which, together with any other monies pledged to the payment of Parity Obligations, constitute Pledged Revenues. The City also has the right to pledge the Pledged Revenues in payment of, and as security for, debt obligations

# Payments from Water and Sewer Fund to Other Funds



that are subordinate to the Parity Obligations. Such subordinate lien obligations, which the City has issued and may continue to issue, are also considered Outstanding Obligations under the Master Ordinance. Under Section 11(b) of the Master Ordinance, provision must first be made for funds from Pledged Revenues to be deposited to the debt service, reserve, and other funds and accounts for ALL Outstanding Obligations as required by the Master Ordinance and applicable Supplemental Ordinances and bond covenants. If System funds remain available after these actions have occurred and provisions have been made for all Operating Expenses and debt-related payments, remaining System funds constitute Excess Pledged Revenues that can be used for other lawful purposes, including payments under this policy.

By adoption of this policy, the Mayor and City Council delegate to the Financial Management Services Department responsibility for determining and certifying the availability of Excess Pledged Revenues. The certification shall be provided to the Water Department, and a copy shall be maintained in the records of the Financial Management Services Department.

An initial determination of Excess Pledged Revenues shall be made in connection with the annual budget process to determine the extent to which revenues exist for budgeting purposes and for making payments under this policy. If it is determined that Excess Pledged Revenues are projected to exist but are not sufficient to make all three of the proposed payments in full, the amount of Excess Pledged Revenues that is certified to be available shall be allocated among the payments on a pro rata basis.

To ensure payments under this policy consist only of actual Excess Pledged Revenues, after the close of each fiscal year, in connection with preparation of the annual audit, staff shall conduct a “true up” process, recalculating Excess Pledged Revenues using actual, rather than budgeted, figures for Gross Revenues, Operating Expenses, and debt-related payments. If it is determined that actual Excess Pledged Revenues for the preceding fiscal year were not sufficient for the full amount of the payments that were made under this policy, the General Fund shall make a one-time payment to the Water and Sewer Fund in the amount of any shortfall so that the Water and Sewer Fund’s final audited figures for the year, as reported in the Comprehensive Annual Financial Report, reflect payments made solely from Excess Pledged Revenues.

In this context, gross service revenue is defined as (i) total revenues of the System excluding (ii) non-service revenues. Non-service revenues consist of funds that are not generated in connection with the provision of water or wastewater services; examples include Interest Earnings, Gain/Loss on Assets, Transfers from Other Funds, Transfers from Impact Fees, reimbursements for Water Main Capacity Charges and Sewer Per Acre Charges, Front Foot Charges, Refunds from external service providers, and proceeds from Sale of Capital Assets or Equipment.

## **IV. Payment for Street Rental Fee:**

The Street Rental Fee payment to the General Fund is intended as an assessment in lieu of franchise fees that the General Fund would receive in return for use of the City’s streets and rights-of-way if the Water and Sewer System were a private utility enterprise.

# Payments from Water and Sewer Fund to Other Funds



The Street Rental Fee shall be calculated as five percent (5%) of gross service revenue for Water and Sewer customers, unless specified otherwise by applicable wholesale contract.

For the purposes of cost recovery, the Street Rental Fee shall be treated as revenue in the General Fund and as an operating expense in the Water and Sewer Fund.

The amount of the Street Rental Fee assessed will be included in annual retail and wholesale water and wastewater cost of service studies performed by the Water Department and included in the annual operating budget. Street Rental fees will be assessed to Wholesale Water and Sewer Revenues as specified in the contracts with wholesale customers.

Because this Fee is based on actual gross service revenue, after the close of each fiscal year staff shall conduct a “true up” process in connection with preparation of the annual audit. If it is determined that actual gross service revenue for the most-recent preceding fiscal year differs from the budgeted amount, a one-time adjustment shall be made to offset such difference so that the Water and Sewer Fund’s final audited figures for the year, as reported in the Comprehensive Annual Financial Report, reflect a total for street rental payments based on actual gross service revenue.

## V. Payment-in-Lieu-of-Taxes:

The Payment-In-Lieu-of-Taxes (PILOT) to the General Fund is intended to offset the ad valorem taxes lost due to the tax-exempt status of the Water and Sewer System property.

The PILOT shall be calculated by applying the effective property tax rate to the net book value of the applicable capital assets. Capital assets subject to PILOT shall be limited to those classified as Plant and Property, including Construction Work in Progress, and shall exclude Transmission, Distribution and Collection Pipes and Hydrants.

An example of the PILOT calculation:

$$(\text{Plant Assets} - \text{Accumulated Depreciation} + \text{Construction Work in Progress}) * \text{Current Tax Rate}$$

For the purposes of cost recovery, PILOT shall be treated as revenue to the General Fund and as an operating expense of the Water and Sewer System. In any given year, the payments shall not exceed the PILOT calculation described above.

The amount of the PILOT assessed will be included in annual retail and wholesale water and wastewater cost of service studies performed by the Water Department and included in the annual operating budget. The PILOT will be assessed to Wholesale Water and Sewer Revenues as specified in the contracts with wholesale customers.

## VI. Contribution to Public Art:

Funding for the Fort Worth Public Art Program, which was established in 2001 with the adoption of Ordinance Number 14794, will be provided by the Water and Sewer Fund.

# Payments from Water and Sewer Fund to Other Funds

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Public Art funding shall be calculated in accordance with current City Code requirements and developed through the City's annual budget process. Since Texas law restricts the use of bond proceeds to those projects eligible to be funded with water and sewer revenue bond proceeds, any Public Art funding generated with bond proceeds **MUST** be used to finance water and sewer system related public art projects.

For the purposes of cost recovery, Public Art funding shall be treated as an operating expense of the Water and Sewer System. In any given year, the payment shall not exceed the calculation described above.

The amount of the Public Art funding will be included in annual retail water and wastewater cost of service studies performed by the Water Department and included in the annual operating budget.



# Expenditure/Expense Policy

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## **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 and the Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and the Assistant City Managers by the Chief Financial Officer / Director of Finance.

## **II. Purpose:**

This policy is intended to establish guidelines for the management of certain City expenditures/expenses in order to ensure fiscal stability and the effective and efficient delivery of services. Through the identification of necessary services and the establishment of appropriate service levels, Departments are responsible for the careful administration of the expenditure/expense of available 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. *Current Funding Basis***

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

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

The City shall take immediate corrective actions if at any time during the fiscal year expenditure/expense and revenue re-estimates are such that an operating deficit





## Expenditure/Expense Policy

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(i.e., projected expenditures/expenses in excess of projected revenues) is projected at year-end. Corrective actions can include a hiring freeze, expenditure/expense reductions, fee increases, or use of fund balance/net position within the Fund Balance/Net

Position Policy Statements. Expenditure/expense 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 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 redesigned, 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.



# Governmental Funds Reserve Policy

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## 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 that establish and direct the operations of the City of Fort Worth (“City”). The City Manager ~~and Assistant City Managers are~~ 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 Financial Management Services Department (“FMS”). ~~Department of Financial Management Services.~~ This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of FMS (“CFO”). ~~and the Assistant City Managers 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 creditworthiness and provide adequate cash flow based upon the traditional operating cycle. The Government Finance Officers Association’s (GFOA) best practice for reserves recommend, at a minimum, that general-purpose governments, regardless of size, maintain an unassigned fund balance of no less than two months of regular operating revenues or operating expenses. 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, Special Revenue Funds, and General Debt Service Funds 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, all Special Revenue Funds, and the General Debt Service Fund 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 Glossary for Financial Management Policy Statements.



# Governmental Funds Reserve Policy

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## IV.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

## V.VI. Policy:

### General Fund

- A. Reserve Levels - The City will maintain an Unassigned Fund Balance in the General Fund equivalent to a minimum of two months (16.67 %); with a goal of three months (25%), of the next fiscal year budgeted 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, has authorized the City Manager or his/her designee and the ~~Chief Financial Officer/Director of Finance~~CFO 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 are 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 his/her designee or ~~Chief Financial Officer/Director of Finance~~CFO. 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 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, and the City will consider committed funds to be spent before assigned funds, and will consider assigned funds to be spent before unassigned funds.



# Governmental Funds Reserve Policy

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## **Special Revenue Funds**

- D. Reserve Levels – The City will maintain a combined Restricted and Assigned Fund Balances in Special Revenue Funds equivalent to two months (16.67%) of the next fiscal year budgeted operating expenditures.

## **General Debt Service Fund**

- E. Reserve Levels – The City will maintain a level of Restricted, Committed, and Assigned Fund Balances in each governmental Debt Service Fund equivalent to three months (25%) of the highest projected debt service (principal and interest) over the succeeding debt service schedule. Amounts used in this calculation shall not include any amounts allocated for other purposes by the City Council.

## **VI.VII. Monitoring Performance:**

- A. The City will measure its compliance with this policy on an annual basis as of September 30<sup>th</sup> each year or as soon as practical after final fiscal year--end financial information becomes available. During the fiscal year, the Financial Management Services and ~~Planning & Data Analytics~~ FWLab departments shall closely monitor the City's revenues and expenditures to ensure Reserves are not used beyond any planned usage.

- ~~B. If the target level of Reserves is not met at fiscal year-end, a written restoration plan the department is required to be submitted a written restoration plan to FMS by January 31<sup>st</sup> of the next year to and will be incorporated into the Reserve Requirement Supplement. The CMO, in coordination with FMS and FWLab, is required to develop the restoration plan for the General Fund. For all other funds, the responsible department must work Departments must work with the FWLab in developing the restoration plan. Generally, departments should seek to replenish their fund balance within one to three years. Specifically, factors influencing the replenishment time horizon include: -~~

- ~~1. The budgetary reasons behind the fund balance targets;~~
- ~~2. Recovering from an extreme event;~~
- ~~3. Political continuity;~~
- ~~4. Financial planning time horizons;~~
- ~~5. Long-term forecasts and economic conditions;~~
- ~~6. External financing expectations.~~

~~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~~



# Governmental Funds Reserve Policy

~~Financial Management Services and Planning & Data Analytics departments based on the requirements outlined in this policy.~~

~~B.C.~~ Funding the Reserve – Funding of Reserve targets will generally come from excess revenues over expenditures or one-time revenues, non-recurring revenues, and budget surplus. Year-end surpluses are an appropriate source for replenishing fund balance.

~~C.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.

## ~~VII.~~VIII. **Conditions for Use of Reserves:**

### **General Fund and Special Revenue Funds**

It is the intent of the City to limit the use of General Fund and Special Revenue 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 deliberately 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 Funds**

The City intends to limit the use of Debt Service Reserves to address the repayment of any outstanding debt.

## ~~VIII.~~IX. **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 and Special Revenue Funds**

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 move to the General Debt Service Fund to lower the amount



## Governmental Funds Reserve Policy

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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 Financial Management Services department.
5. The reserve requirement does not apply to special revenue funds that were created under Federal and State Law and/or Texas Local Government Code for managing the revenue used to pay for costs associated with construction and debt-financing activities.

### **General Debt Service Funds**

1. Use to repay any outstanding debt or obligations.

### **~~IX.X.~~ Authority over Reserves:**

The City Council may authorize the use of Reserves. The Financial Management Services and ~~Planning & Data Analytics-FWLab~~ departments will regularly report both current and projected Reserve levels to the City Manager and City Council.

### **~~X.XI.~~ 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.

### **~~XI.XII.~~ Basis:**

Budgetary basis is used for calculating the reserve level for Governmental Funds Reserve.



# Proprietary Fund Reserve Policy

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## 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 that establish and direct the operations of the City of Fort Worth. The City Manager and Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and Assistant City Managers 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 creditworthiness and provide adequate cash flow based upon the traditional operating cycle. The Government Finance Officers Association's (GFOA) best practice for ~~reserves recommend, at a minimum, regardless of size, maintain an unrestricted net position of no less than two months of regular operating revenues or operating expenses.~~ Working Capital Targets for Enterprise Funds recommends that local governments adopt a target amount of working capital to maintain in each enterprise 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 Proprietary Fund Reserves, 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 a Proprietary Fund.

## III. Applicability and Scope:

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

## IV. Related Documents and References:

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



# Proprietary Fund Reserve Policy

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## V. Policy:

### Enterprise Funds

Reserve Levels - The City will maintain the following goal 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:

1. A goal of Working Capital in Enterprise Funds equivalent to three months (25%) of the next fiscal year budgeted operating expenses, excluding intrafund transfers out to funds within the same reporting group (e.g. transfer out from Water and Sewer Operating Fund to its Capital Projects Fund or Debt Service Fund). This calculation shall be performed against the operating fund only.
2. A Reserve of 100 Days cash on hand with a goal of 150 Days Cash on Hand. This calculation shall be performed against the operating fund only on Generally Accepted Accounting Principles (GAAP - Full Accrual) basis.
3. The City's goal is that no Enterprise Fund shall have a negative Unrestricted Net Position. This calculation shall be performed by using all of the funds for the respective reporting group.
4. 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.

# Proprietary Fund Reserve Policy

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## **Internal Service Funds**

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

1. A goal of Working Capital in Insurance Funds three months (25%) of the next fiscal year budgeted operating expenses, excluding intrafund transfers out to funds within the same reporting group (e.g. transfer out from Water and Sewer Operating Fund to its Capital Projects Fund or Debt Service Fund). This calculation shall be performed using the operating fund only.
2. No Insurance Fund shall have a negative Unrestricted Net Position. This calculation shall be performed by using all of the funds of the respective reporting group of the specific insurance related internal service fund.
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.

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

1. A goal of Working Capital in Non-Insurance Internal Service Funds equivalent to ten percent (10%) of the next fiscal year budgeted operating expenses, excluding intrafund transfers out to funds within the same reporting group (e.g. transfer out from Water and Sewer Operating Fund to its Capital Projects Fund or Debt Service Fund). This calculation shall be performed using the operating fund only.
2. No Internal Service Fund shall have a negative Unrestricted Net Position. This calculation shall be performed by using all of the funds for the respective reporting group funds of the specific non-insurance related internal service fund.
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.

# Proprietary Fund Reserve Policy

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## VI. 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 30<sup>th</sup> each year or as soon as practical after final fiscal year-end financial information becomes available. During the fiscal year, the Financial Management Services and [Planning & Data Analytics FWLab](#) departments shall closely monitor the City's revenues and expenses to ensure Reserves are not used beyond any planned usage.
- B. If the target level of Reserves is not met at fiscal year-end, the department is required to submit a written restoration plan to FMS by January 31<sup>st</sup> of the next year to be incorporated into the Reserve Requirement Supplement. Departments must work with the FWLab in developing the restoration plan. Generally, departments should seek to replenish their reserves within one to three years. ~~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 Financial Management Services and Planning & Data Analytics FWLab departments 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, non-recurring revenues, and budget surplus. Year-end surpluses are an appropriate source for replenishing fund balance.
- 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.

## VII. Conditions for Use of Reserves:

The City intends to limit use of Proprietary 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 deliberately (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

# Proprietary Fund Reserve Policy

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## **VIII. 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.

## **IX. Authority over Reserves:**

The City Council may authorize the use of Reserves. The Financial Management Services and [Planning & Data AnalyticsFWLab](#) departments will regularly report both current and projected Reserve levels to the City Manager and City Council.

## **X. 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. This policy will be reviewed at least annually and updated on an as-needed basis.

## Proprietary Fund Reserve Policy

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**XI. Basis:**

Generally Accepted Accounting Principles (GAAP - Full Accrual) basis is use for calculating the reserve level for Proprietary Funds Reserve.





## Capital Expenditures and Improvements Policy

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### **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

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### 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

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### 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. Spend funding in the following order: (e.g., Priority One, then Priority Two, then Priority Three, and lastly Priority Four)

Priority One: Proceeds from any type of debt issuance, including tax notes, bonds, loans, etc. Use proceeds from oldest to newest (i.e., 2002 GO Bond proceeds before 2014 Bond proceeds, or 2014 before 2018 proceeds). Per IRS regulations, 85% of all Bond proceeds must be spent within three years. Failure to spend Bond proceeds timely could result in the bonds sold being deemed taxable.

Priority Two: Source of funds that include projects where a source external to the City is funding a portion or all of the project in the order listed below:

1. Intergovernmental Agreements (Once verified as Non-Grant)
2. Contribution from an outside source (e.g., cash donation)
3. Developer contributions

Priority Three: Internally committed funding sources. Internal commitments exist due to an action taken by the Mayor and Council (M&C), such as the adoption of the Financial Management Policy Statements which designate the use of specific revenues for specific purposes, e.g., DFW Airport Sharing Revenue to the Culture and Tourism activity, Gas Well Lease income for specific purposes, or Transfers-In.

Priority Four: Other funding sources appropriated by Budget that do not fall into the three above categories. 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

The funding priority identified above for non-grant capital projects 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.



# Capital Assets Policy

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## **I. Authority**

The Fort Worth City Council is responsible for legislation, policy formulation, and setting the overall direction of government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth (“City”). 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 Financial Management Services Department (“FMS”). This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of FMS (“CFO”).

## **II. Purpose**

This policy defines and provides the guiding principles with respect to the financial management of capital asset for the City of Fort Worth (“the City”). The objectives of this policy are to ensure consistent capital asset practices in accordance with Generally Accepted Accounting Principles (GAAP) and applicable regulatory agencies and to safeguard against loss, unauthorized use, or misappropriation of assets. Controls are created to establish, maintain, and enforce a sound system of operational procedures in accordance with industry best practices and internal control objectives. These controls address the decentralized nature of the processes associated with capital assets while also providing standards and minimally acceptable practices for these activities.

## **III. Applicability and Scope**

All employees of the City, including uniformed employees in positions who are responsible for performing fiscal operations described herein, shall apply the principles of this policy. This may include, but not be limited to, staff who purchase, receive, monitor or dispose of capital assets. Further, this policy shall cover all funds and capital assets under the control of the Mayor and City Council.

## **IV. Glossary**

See definitions related to this policy provided in the Glossary for Financial Management Policy Statements Policies.

## **V. General Information**

The Governmental Accounting Standards Board (GASB) provides the following authoritative definition of capital assets for state and local governments:



## Capital Assets Policy

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The term capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital assets should be recorded at original cost or, if the cost is not readily determined, at estimated original cost. Cost shall include applicable ancillary costs necessary to place the asset in its intended location and condition for use. All costs should be documented, including methods and sources used to establish any estimated costs.

The City acquires capital assets in one of the following ways:

1. Purchased assets – The recording of purchased assets should be made on the basis of actual costs, excluding some ancillary costs\*, based on vendor invoice or other supporting documentation. \*See Section VII-A for further explanation.
2. Constructed assets – Direct costs (including labor) associated with the construction project should be included in determining the asset valuation. For Community Facilities Agreements, City of Fort Worth inspection costs are no longer capitalized as part of the project effective 06-01-2019 associated with fund 30114 (CFA Developer).
3. Donated assets – Capital assets acquired by donation should be valued based on the acquisition value at the time of receipt and capitalized in accordance with the threshold value for each asset category. Please refer to the City of Fort Worth's Donations Policy for guidance on acceptance of donations.

### **VI. Responsibility / Authority**

City-wide Department responsibilities:

- A. Serve as custodians of capital assets including land, land improvements, vehicles, machinery and equipment (including rolling stock), that are assigned to their departments.
- B. Ensure full departmental compliance with the established capital asset policy in order to maintain adequate records of the City's capital assets.



## Capital Assets Policy

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- C. Each department head must appoint a Capital Assets Coordinator that has knowledge and experience in capital purchasing and management of project expenditures. Department Capital Assets Coordinator responsibilities include but are not limited to:
- Attend the required AM100 training provided by the City of Fort Worth.
  - Perform a monthly review of the department's purchased, donated, and constructed assets added into PeopleSoft Asset Management (PSAM) and communicate with the Capital Assets Team regarding any discrepancies.
  - Identify capital asset transfers, impairments, and disposals, and provide the Capital Assets Team documentation within 30 days of the occurrence.
  - Identify all constructed assets in use, and provide the Capital Assets Team documentation within six months or before the current fiscal year ends, whichever comes first for capitalization (Refer to Section XIV).
  - Review and update the department's non-financial asset information in the PSAM system.
  - Coordinate the department's review of the current capital asset register and complete the Annual Physical Inventory for Capital Assets.

### FMS responsibilities:

- A. The Capital Asset Team, Financial Services Manager, and Assistant Finance Director over Accounting shall ensure that all capital assets belonging to the City are properly identified and recorded in the PeopleSoft General Ledger module and that the PSAM module is reconciled, at least monthly, to general ledger balances.
- B. The Capital Asset Team is responsible for maintaining a current listing of Capital Assets Coordinators from all City departments.
- C. The Capital Asset Team must oversee the review of all transactions related to capital assets at least monthly and update the PSAM system, as required, upon validation of the transactions or corrections.
- D. The Capital Asset Team, Financial Services Manager, and Assistant Finance Director over Accounting are responsible for ensuring that journal entries and



## Capital Assets Policy

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monthly depreciation expense are properly recorded in the general ledger and financial changes noted by the Capital Assets Coordinators are recorded in the PSAM system.

- E. FMS is responsible to provide department representatives with the necessary support in capital asset management to effectively fulfill their duties and responsibilities under this policy.

### **VII. Asset Classification**

The City categorizes capital assets into the following:

#### **A. Land**

Land includes all land parcels purchased or otherwise acquired by the City for building sites, streets, right of way, permanent easement, recreation, future use, etc. This does not include land held for resale, which is accounted for as inventory.

Land is frequently associated with some other asset (e.g., land under a building or road). Land should always be treated and accounted for separately. The cost of the land should include not only the acquisition price, but also the cost of initially preparing land for its intended purpose, provided these preparations have an indefinite useful life, like the land itself. The recorded cost of land includes (1) the contract purchase price; (2) the costs of closing the transaction and obtaining title, including commissions, options, legal fees, title search, insurance, and past due or current taxes; And (3) the cost of preparing the land for its particular use such as clearing and grading. If the land is purchased for the purpose of constructing a building, all costs incurred up to the excavation for the new building should be considered land costs. Removal of an old building, clearing, grading and filling are considered land costs because they are necessary to get the land in condition for its intended purpose. Any proceeds obtained in the process of getting the land ready for its intended use, such as salvage receipts on the demolition of the old building or the sale of cleared timber, are treated as reductions in the price of the land. Capitalization of land costs may include, but are not limited to, the following:

- Original contract price
- Brokers' commissions
- Legal fees for examining and recording title



## Capital Assets Policy

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- Cost of title guarantee insurance policies
- Cost of excavation, grading or filling of land and razing of an old building
- Payment of noncurrent taxes accrued on the land at date of purchase, if payable by purchaser

\*Excluded costs may include payroll charges, advertising, process services, appraisal fees, and surveys, as they typically are not able to be accurately and timely associated with the land purchase at closing.

Improvements other than buildings (land improvements) are used for permanent (i.e., non-moveable) improvements, other than buildings, that add value to the land, but do not have an indefinite useful life. Examples include, fences, retaining walls and parking lots.

### B. Buildings

All permanent structures are included in the classification of buildings. The costs of an improvement (or betterment) are normally added to the cost of the related structure, rather than being treated as a separate asset. The same is true of restoration costs following a capital asset impairment. Capitalization of costs related to buildings include, but are not limited to, the following:

- Original contract price of the asset acquired or cost of design and construction
- Expenses incurred in remodeling, reconditioning, or altering a purchased building to make it available for the purpose for which it was acquired.
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Cost of building permits
- Payment of noncurrent taxes accrued on the building at date of purchase, if payable by purchaser
- Architects' and engineers' fees for design and supervision
- Costs of temporary facilities used during the construction period



## Capital Assets Policy

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### C. Infrastructure

Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

### D. Machinery and equipment

This classification includes construction and maintenance equipment, office equipment and furnishings, etc. above the capitalization threshold. Capitalization of equipment costs may include, but are not limited to, the following:

- Original contract or invoice cost
- Freight, acquisition fees, import duties, handling and storage costs
- Specific in-transit insurance charges
- Installation charges

### E. Vehicles

A motor vehicle is a self-propelled road vehicle that is used for the transportation of passengers, or passengers and property. The capitalization amount includes the total purchase price less any applicable discounts and any ancillary payments required to place the asset in its intended state of operation.

### F. Intangible Assets

Intangible assets are those that lack physical substance, are non-financial in nature and have an initial useful life extending beyond a single reporting period. Intangible assets must be identifiable, meaning they are either capable of being separated by means of sale, transfer, license or rent, or that they arise from contractual or other legal rights.

Intangible assets acquired or developed by the City could include customized software, internally generated software, works of art and historical treasures. Other examples of intangible assets the City may own include water rights, timber rights, patents and trademarks.



## Capital Assets Policy

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### G. Construction Work in Progress (CWIP)

Construction work in progress represents capitalized costs related to a capital asset that is not yet substantially ready to be placed in service. For construction work in progress assets, no depreciation is recorded until the asset is placed in service. When the asset is placed in service, the asset is reclassified to the correct category and depreciation begins.

## VIII. Capitalization

### A. Capitalization Thresholds

1. Land must be capitalized regardless of the value or cost.
2. Buildings must be capitalized regardless of the cost.
3. Infrastructure must be capitalized when the useful life is 3 years or greater and the cost is \$100,000 or more.
4. Betterments and Improvements qualifying as a capital asset is defined as a single item with a useful life of 2 years or greater with an acquisition cost of:
  - a. Building Improvements at \$100,000 or more
  - b. Infrastructure Improvements at \$100,000 or more
  - c. Machinery and Equipment Improvements at \$25,000 or more
5. Machinery and Equipment qualifying as a capital asset is defined as a single item with an acquisition cost of \$25,000 or more and has a useful life of 2 years or greater. This includes items designed for off road.
6. Vehicles must be capitalized when the useful life is 4 years or greater, the cost is \$5,000 or greater and it meets both of the following criteria:
  - a. Self-propelled
  - b. Primary use is on public streets and the unit is street legal
7. Intangible assets must be capitalized when the useful life is 3 years or greater and the cost is \$100,000 or more with the exception of works of art and historical treasures, which are capitalized regardless of life or cost.
8. Bulk machinery and equipment per lease contract will be capitalized if the total amount is over \$500,000 for the life of the lease.





## Capital Assets Policy

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### B. Contributed or Donated Assets

Contributed or donated assets must be recorded at acquisition value. Refer to the Donations Policy for capitalization thresholds per category. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date. With regard to donated land, an appraisal must be no older than five (5) years in order to be used to determine a value for the land. If an appraisal is greater than five (5) years old or an appraisal does not exist, then appropriate effort must be made to determine a reasonable per acre value of the land in question. Work with Accounting to establish the appropriate value.

## IX. **Betterments, Improvements and Repair and Maintenance**

### A. Betterments

A betterment materially renovates or enhances a previously capitalized asset without introduction of a completely new unit. Alterations that change the physical structure of assets (e.g., cutting new entry and exit openings or closing old ones; erecting new walls, windows and partitions or removing old ones) but neither materially add value to the asset nor prolong its useful expected life should be charged to maintenance expense. Examples of betterments include:

- Enhancement of an old shingle roof through the addition of modern, fireproof tiles
- “Major catch-up” repair to or rehabilitation of an existing neglected asset that extends the useful life or substantially increases the value of the asset.

A betterment that meets the capitalization threshold in Section VIII should be capitalized.

### B. Improvements

Improvements include additions of new components to previously capitalized assets that either increase the assets’ value, extend the useful life, increase the normal rate of output, lower the operating cost, or increase the efficiency of the existing asset. Replacements of components of existing capitalized assets with improved or superior units, such that the value of the assets is increased, are also classified as improvements.

Examples include:



## Capital Assets Policy

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- Installation of an air condition system where there previously was none
- Installation of a crane on a truck that did not previously have one
- Removal of a major part or component of equipment and the substitution of a new part or component that increases either the value or useful life
- Addition of a new wing on a building
- An improvement that meets the capitalization threshold in Section VIII should be capitalized.

### C. Repair and Maintenance

Maintenance and repairs can be distinguished from betterments and improvements in that maintenance and repairs are not intended to alter or change the asset or to increase the useful life of the asset, but rather to sustain the asset in its present condition. A cost will qualify as maintenance if any of the following are true:

- Recurs on an ongoing basis (scheduled maintenance) and keeps the asset in a useable condition.
- Does not add substantially to the value of the asset (i.e., it does not meet the requirements in Section VIII to be capitalized).
- Simply restores a capital asset to its former condition, addressing normal wear and tear associated with the use of an asset.
- Facilitates asset utilization for its original useful life

Examples include:

- Painting and similar activities
- Engine overhaul in a vehicle
- Resurfacing a roof with similar materials
- Remodeling and rearrangement costs

Expenditures attributable to repair and maintenance after the asset has been placed in service will not be capitalized and will instead be charged to maintenance expense.



## Capital Assets Policy

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### X. Depreciation

Depreciation is defined as a reduction in the value of an asset with the passage of time, due in particular to wear and tear. Depreciation will be calculated and recorded monthly for the City's depreciable assets in accordance with GAAP. FMS is responsible to record depreciation on a monthly basis.

The City uses the straight-line method of depreciation and a full month of depreciation is taken in the original month of acquisition or capitalization. To calculate depreciation expense using the straight-line method:

$$\text{Annual Depreciation} = \frac{\text{Cost} - \text{Salvage Value}}{\text{Asset Useful life (in years)}}$$

Salvage value is an estimate of the amount that will be realized at the end of useful life of a depreciable asset. The City may assume that salvage value will be insignificant and therefore, will not use it in the depreciation calculation.

Asset must be depreciated according to the useful life guidelines established by the City. These guidelines are summarized below:

- Buildings: 20 - 50 years
- Infrastructure: 20 - 60 years
- Machinery and Equipment: 2 - 20 years
- Vehicles; 4 –15 years
- Runways and Taxiways: 20 - 30 years
- Water and Sewer Equipment: 5 - 30 years
- Water and Sewer Infrastructure: 25 - ~~7~~60 years

The following capital assets are not depreciated:

- Land
- Intangible assets with indefinite useful lives
- Construction Work in Progress



## Capital Assets Policy

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### **XI. Retirement**

All capital assets that are sold, exchanged, traded in, donated, stolen, damaged beyond repair or in any way removed from service and disposed of during the current fiscal period should be recorded as retirements in the PSAM system.

Departments are responsible for coordinating with the Fleet and Auto Pound departments if the asset will be auctioned off through a current City contractor auctioneer. The department will complete the Auction Master Template form which is approved by the Director or an Assistant Director. This form will be forwarded to the Purchasing department coordinator for FID validation and confirmation of wire transfers. Upon confirmation, all relevant information will be sent to the Capital Asset Team for proper accounting treatment.

When retiring an asset, the Department that had custody of the asset must complete and submit a Capital Asset-PMD-Fleet Status Change Request Form to the Capital Assets Team. This electronic form will be routed for proper approval and signatures. This form is located in the Forms Portal under Financial Management Services.

### **XII. Surplus ~~and~~ (Salvage Sales)**

Departments are responsible for maintaining a listing of all non-capital assets. Upon determination that, a non-capital asset is either no longer needed or found to be unserviceable, the department will determine the appropriate method of disposal.

Methods of disposal:

- Internal City posting
- Auction

The approved Auction Master Template will then be sent to the Purchasing department coordinator as referenced in the Retirement section.

### **XIII. Impairment**

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The Department Capital Assets Coordinator is responsible for determining whether an asset is possibly impaired. The Capital Asset team in FMS is available to assist in the determination.

In order to determine impairment, one or more of the following conditions must apply:



## Capital Assets Policy

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- Evidence of physical damage (building damaged by fire or flood, restoration efforts are needed to restore service utility)
- Enactment or approval of laws or regulations or other changes in environmental factors
- Technological development resulting in a change of the expected duration of use of a Capital Asset
- A change in the manner or expected duration of use of a Capital Asset
- Construction stoppage (stoppage of construction of a building due to lack of funding)

If the asset is not impaired, Department Capital Assets Coordinator should re-evaluate the remaining useful life and salvage value (if any). All impairment should be analyzed and estimated by the Department Capital Assets Coordinator, and submit to the FMS Department Assistant Director or Director for final review and approval.

#### **XIV. Transfers**

When an asset is exchanged between departments, the Capital Asset Team will transfer the asset in the PSAM system. The Capital Asset Transfer Form shall be used to identify an asset transfer between City departments. The transfer must be approved by both the transferor and transferee departments before an asset is transferred.

#### **XV. Placed In Service Assets**

When a capital improvement project is substantially completed and an asset is used for its intended purpose, the Capital Assets Coordinator will provide the Capital Asset In-Service form to the Capital Asset Team once the asset is in use. For the Water department only; the Capital Assets Coordinator will provide the Capital Asset In-Service form to the Capital Assets Team within six months or before the current fiscal year ends, whichever comes first. The Capital Asset Team will transfer the cost of the asset from Construction Work in Progress (CWIP) to the appropriate asset category in the PSAM system. When the capital improvement project is closed, the Capital Assets Coordinator will provide the Capital Asset Completion form to the Capital Asset Team, and the Capital Asset Team will transfer any remaining costs to the previously created asset.



## Capital Assets Policy

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### **XVI. Physical Inventory**

Each department must perform an Annual Asset Physical Inventory. The Capital Assets Coordinator is responsible for verifying the accuracy of the assets recorded in PSAM based on their physical observation of the department's assets. Exclude lands, buildings, and infrastructures.

### **XVII. Acquisition of Capital Assets**

Capital assets shall be acquired by the City of Fort Worth, following all required federal, state, and local purchasing requirements. Assets acquired by the City shall be budgeted and purchased only in capital project funds. No assets are to be acquired from operating funds.

For additional information or questions concerning this policy, please contact the FMS Capital Asset team at (817) 392-2460.



# Debt Policy

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## **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 and Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and the Assistant City Managers by the Chief Financial Officer / Director of Finance.

## **II. Purpose:**

This policy is intended to establish guidelines and principles associated with the management of the City's issuance of debt transactions to finance the acquisition, repair, or construction or capital assets.

## **III. Scope:**

This policy shall apply to all debt issued by the City of Fort Worth and any revenue pledged to debt payments which are 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. 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



## Debt Policy

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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 issue more long-term debt than it retires each year without first 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 market; all of which provide the City with flexibility in timing its entry into the long-term fixed rate market.

### C. Affordability Targets

#### 1. General Obligation Bonds

The City shall use an objective analytical approach to determine whether it can afford to issue new general purpose debt (General Obligation bonds, tax notes, public property finance contractual obligations 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, applicable State laws 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 issue 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.





## Debt Policy

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### 2. Revenue Bonds

Revenue bonds are secured solely by the revenues of an operating fund. As a result, the credit markets look at the type of and history of collections and volatility on revenue 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 operating fund 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 activities (e.g., airports or convention center facilities) will necessitate the consideration of coverage and reserve fund requirements unique to the operating fund, such that the revenue bonds will be creditworthy and marketable.



## Debt Policy

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### 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.



## Debt Policy

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### 4. Tax Notes

Tax notes may be issued without a public election to finance the construction, acquisition, and expenses associated with placing a capital asset into service. Under State law, the issuance of tax notes must be approved as to legality by the State Attorney General, and must mature no later than the seventh anniversary of the date that the Attorney General approves the tax notes. Tax notes will be issued considering the useful life of the capital asset to be financed, and consideration of the economies that the City may achieve through the issuance of obligations with a shorter term of maturity than that typically associated with a bond amortization structure (see D. Debt Structure, below). The issuance of tax notes may be substituted for the issuance of Certificates of Obligations; however, the same principles apply.

### D. Debt Structure

General obligation bonds, certificates of obligation, and tax notes may be structured with level principal or level debt service, with a preference towards level principal. Revenue bonds will typically be structured with level debt service. 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. Revenue bonds may have an amortization exempt from this provision; however, they should be structured to provide uniform coverage levels across the life of the bonds. 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.



## Debt Policy

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### 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 within ten years and without any call premium.

### F. Sale Process

The City shall use a competitive bidding process in the sale of debt unless the nature of the issue or market conditions warrant 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 when 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 use reimbursement resolutions and its own 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. Underwriting Syndicates

When a negotiated sale is deemed in the best interest of the City, underwriters shall be selected from a procurement process designed to yield the most qualified and experienced firms for the transaction, performed in line with the City's administrative regulations (procurement of goods and services). 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.



## Debt Policy

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### I. 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 Investors Service, S&P Global Ratings, Fitch Ratings, and Kroll Bond Rating Agency.

### J. 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.

### K. 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 net present value savings of a particular refunding should exceed 3.0% of the par amount of the refunded maturities. A current refunding may be undertaken with net present value savings less than 3.0%, especially if another bond is being issued concurrently.

### L. Interest Earnings

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

### M. 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



## Debt Policy

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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.

N.      Proposals from Investment Bankers

The City welcomes ideas and suggestions from investment bankers and will seek to gain information and knowledge from those firms which submit unique and innovative ideas.

# Debt Monitoring Policy

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## 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 and Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and Assistant City Managers by the Chief Financial Officer/Director of Finance.

## II. Purpose

As a municipal government, the City issues both tax-exempt and taxable securities in the form of tax notes, certificates of obligations, general purpose bonds, public property finance contractual obligations and revenue bonds in support of the City's Vision to be the most livable and best managed city in the county. The proceeds from these debt transactions are utilized to fund the City's comprehensive Capital Improvement Program for multiple sectors of our operation. It is considered best practice for the City, as part of the issuance of tax-exempt obligations, to adopt written procedures outlining how the City will maintain compliance with federal guidelines. The current version of such procedures was adopted on July 24, 2012, as Exhibit C - *Written Procedures Relating to Continuing Compliance with Federal Tax Covenants* to the City's 23<sup>rd</sup> Supplemental Ordinance authorizing the issuance and sale of the City's Water and Sewer Revenue Refunding Bonds, Series 2012 (Ordinance No. 201301-07- 2012). This policy is intended to supplement such *Written Procedures*, as the same may be updated from time to time by action of the City Council.

## III. Applicability and Scope

This policy shall apply to all debt issuances under the fiscal control of the City Manager and the City Council and issued by the City of Fort Worth (the "City" or "Issuer"). Sections V through IX pertain only to tax-exempt debt issuances by the City (the "Obligations").

## IV. Glossary

See Definitions related to this policy provided in the appendix.

## V. Arbitrage Compliance

## Debt Monitoring Policy

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Federal income tax laws generally restrict the ability to earn arbitrage in connection with the Obligations. "Arbitrage," in this context, refers to any profit earned from investing the proceeds from the issuance of any Obligations at a yield that is higher than that on such Obligations.

Federal income tax laws restrict Arbitrage via two separate mechanisms: "yield restriction" and the "rebate requirement." Yield restriction prohibits the *investment* of bond proceeds at a rate higher than the yield on the related Obligations. The rebate requirement requires an issuer to *rebate* to the federal government any Arbitrage earned from the investment of Obligations.

Federal income tax laws provide exceptions to the yield restriction and rebate requirement rules, the most common of which are applicable to bond proceeds allocated to construction expenditures. Certain procedures related to these exceptions are set forth in Section VII below (see procedures A and B, related to exceptions from yield restriction, and procedure C, related to exceptions from the rebate requirement). The exceptions must be evaluated independently, as the applicability of an exception from yield restriction does not guarantee an exception from the rebate requirement. Bond Counsel should be consulted in determining the available exceptions and procedures with respect to Obligations issued for construction projects involving timelines in excess of those described below.

The Responsible Person will review the Closing Documents and Section VII below periodically (at least once a fiscal year) to ascertain compliance with Arbitrage restrictions and applicable exceptions.

### VI. Review of Federal Tax Certificate for Each Issuance

The Issuer's Director of Finance/Chief Financial Officer (such officer, together with other employees of the Issuer who report to such officer, are, collectively, the "Responsible Person") will review and track the federal tax certificate prepared in connection with each issuance of Obligations.

### VII. Compliance Procedures Applicable to Obligations Issued for Construction and Acquisition Purposes

With respect to the investment and expenditure of the proceeds of the Obligations that are issued to finance public improvements or to acquire land or personal property, the Responsible Person will:

- A. Instruct the appropriate person who is primarily responsible for the construction, renovation or acquisition of the facilities financed or refinanced with the Obligations



## Debt Monitoring Policy

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(the "Project") that (i) binding contracts for the expenditure of at least 5% of the proceeds of the Obligations must be entered into within six months of the date of closing of the Obligations (the "Issue Date") and that (ii) the Project must proceed with due diligence.

- B. Monitor progress to ensure that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of the Project are expended within three years of the Issue Date.
- C. Monitor to ensure proceed expenditures from project Obligation issuances comply with one of the following applicable schedules<sup>1,2,3</sup>:
  - a) Six-Month Expenditure Schedule. All proceeds must be spent within six months.
  - b) Eighteen-Month Expenditure Schedule:
    - i. By six (6) months following receipt of the proceeds, fifteen percent (15%) of the proceeds (together with any amounts received from investments thereof) must have been spent on the designated projects.
    - ii. By twelve (12) months following receipt of the proceeds, sixty percent (60%) of the proceeds (together with any amounts received from investments thereof) must have been spent on the designated projects.
    - iii. By eighteen (18) months following receipt of the proceeds, one hundred percent (100%) of the proceeds (together with any amounts received from investments thereof) must have been spent on the designated projects.
  - c) Two-Year Expenditure Schedule. The two-year expenditure schedule is available only for proceeds used to fund construction projects. A project will qualify as a construction project if at least 75% of the proceeds will actually be used for actual construction (versus acquisition) costs. The two-year expenditure exception requires expenditure of the proceeds within the following schedule:
    - i. By six (6) months following receipt of the proceeds, ten percent (10%) of the proceeds (together with any

## Debt Monitoring Policy

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amounts received from investments thereof) must have been spent on the designated projects.

- ii. By twelve (12) months following receipt of the proceeds, forty-five percent (45%) of the proceeds (together with any amounts received from investments thereof) must have been spent on the designated projects.
  - iii. By eighteen (18) months following receipt of the proceeds, seventy-five percent (75%) of the proceeds (together with any amounts received from investments thereof) must have been spent on the designated projects.
  - iv. By twenty-four (24) months following receipt of the proceeds, one hundred percent (100%) of the proceeds (together with any amounts received from investments thereof) must have been spent on the designated projects.
- D. Monitor the yield on the investments purchased with proceeds of the Obligations to ensure the yield of such investments is restricted to the yield on the Obligations after three years of the Issue Date;
- E. Monitor the investment of all amounts deposited into a sinking fund or funds pledged (directly or indirectly) to the payment of the Obligations, such as the interest and sinking fund or debt service fund, to assure that the maximum amount invested within such applicable fund at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding twelve-month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding twelve-month period; and
- F. The Responsible Person will ensure that funds transferred to a debt service fund are expended within thirteen months from the date of transfer.
- G. Ensure no more than 50% of the Obligation proceeds are invested in an investment with a guaranteed yield for four years or more.

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1 For more information regarding these expenditure schedules, please refer to McCall Parkhurst & Horton, L.L.P.'s Memorandum entitled *Arbitrage Rebate Regulations*, attached to the Federal Tax Certificates for the Obligations at issue.

2 The spending requirements do not generally apply to amounts held in a reasonably required reserve fund, except in certain cases related to the two-year exception period.

3 "Proceeds" as used in this Section VII(b) generally includes investment earnings, but excludes funds held in a bona fide debt service fund



## Debt Monitoring Policy

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### VIII. Procedures Applicable to Obligations with a Debt Service Reserve Fund

If the Issuer issues Obligations that are secured by a debt service reserve fund, the Responsible Person will assure that the maximum amount of any reserve fund for the Obligations invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date.

### IX. Procedures Applicable to Escrow Accounts for Refunding Issues

In addition to the foregoing, if the Issuer issues Obligations and proceeds are deposited to an escrow fund to be administered pursuant to the terms of an escrow agreement, the Responsible Person will:

- A. Monitor the actions of the escrow agent to ensure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;
- B. Contact the escrow agent on the date of redemption of obligations being refunded to ensure that they were redeemed; and
- C. Monitor any unspent proceeds of the refunded obligations to ensure that the yield on any investments applicable to such proceeds are invested at a yield that does not exceed the yield on the refunding obligations or otherwise applied.

### X. Procedures Applicable to All Tax-Exempt Obligations

For all issuances of Obligations the Responsible Person will:

- A. Maintain any official action of the Issuer (such as a reimbursement resolution) stating the Issuer's intent to reimburse with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
- B. Ensure the applicable information return (e.g., Form 8038-G, 8038-GC, or any successor forms) is filed timely with the Internal Revenue Service (the "IRS"); and
- C. Ensure, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at

## Debt Monitoring Policy

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such time and in such manner as directed by the IRS (1) at least every five years after the Issue Date and (2) within 30 days after the date the Obligations are retired.

### XI. Private Business Use:

Generally, to be tax-exempt, only an insignificant amount of the proceeds of each issue of Obligations can benefit (directly or indirectly) private businesses. The Responsible Person will review the Closing Documents periodically (at least once a fiscal year) for the purpose of determining that the use of the Project does not violate provisions of federal tax law that pertain to private business use. In addition, the Responsible Person will:

- A. Develop procedures or a "tracking system" to identify all property financed with tax-exempt debt;
- B. Monitor and record the date on which the Project is substantially complete and available to be used for the purpose intended;
- C. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, affiliates of the Issuer or members of the general public, has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the Project;
- D. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, affiliates of the Issuer or members of the general public, has a right to use the output of the Project (e.g., water, gas, electricity);
- E. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, affiliates of the Issuer or members of the general public, has a right to use the Project to conduct or to direct the conduct of research;
- F. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, has a naming right for the Project or any other contractual right granting an intangible benefit;
- G. Monitor and record whether, at any time the Obligations are outstanding, the Project is leased, sold or otherwise disposed of; and
- H. Take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Ordinance authorizing the tax-exempt obligations used to finance the Project.

### XII. Record Retention:

## Debt Monitoring Policy

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The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the facilities financed or refinanced thereby for a period ending three years after the complete extinguishment of the Obligations. If any portion of the Obligations is refunded with the proceeds of another series of tax-exempt Obligations, such records shall be maintained until the three years after the refunding Obligations are completely extinguished. Such records can be maintained in paper or electronic format.

### XIII. Responsible Persons:

Each Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the Project financed or refinanced with the proceeds of the Obligations. The foregoing notwithstanding, each Responsible Person shall report to the City Council whenever experienced advisors and agents may be necessary to carry out the purposes of these instructions for the purpose of seeking City Council approval to engage or utilize existing advisors and agents for such purposes.



## Interfund Loan Policy

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### **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 and Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and the Assistant City Managers by the Chief Financial Officer / Director of Finance.

### **II. Purpose:**

This policy is intended to establish guidelines for the management of interfund loans between City funds. Interfund loans are amounts provided between funds and component units of the City of Fort Worth with a requirement for re-payment.

### **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. 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/Director of Finance and the City Manager or the designee thereof (who shall not be the Chief Financial Officer/Director of Finance).

#### **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 the requirement that loaned funds are idle.



## Interfund Loan Policy

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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 from the loan. Management must provide documentation of the ability to repay the obligation, and the department/fund 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 shall be approved by the City Council by official 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 to fully document the transaction.

G. Repayment

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 short-term investment portfolio.

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/Funds. Before making that determination, the Water and Sewer fund must cover all obligations for Operation and Maintenance Expenses,



## Interfund Loan Policy

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Debt Service Expenses, Debt Service Coverage, Transfers to the General Fund, Transfers to the Debt Service Funds, and Operating Reserve Requirement (from Net Position).

### I. Year-End

Nothing contained within this policy is intended to require Mayor and Council approval, or City Manager approval, for booking interfund loans at the end of the year in order to prevent a fund or fund group from reporting a deficit cash position. Such entries shall be made under the guidance and approval of the Chief Financial Officer / Director of Finance and shall be immediately reversed in the subsequent fiscal year. If a fund has a recurring deficit cash position, it shall be the responsibility of the Department of Financial Management Services to coordinate discussion with the department responsible for the fiscal administration of the fund in order to develop a plan to mitigate this deficit cash position.



# Cash Management Policy

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## **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 and Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and the Assistant City Managers by the Chief Financial Officer / Director of Finance.

## **II. Purpose:**

This policy is intended to establish guidelines to manage 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.

## **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:**

The Chief Financial Officer / Director of Finance shall administer the management of the City's cash as required under the Public Funds Investment Act (Texas Local Government Code Chapter 2256) and the Collateral for Public Funds Act (Texas Local Government Code 2257). Specifically, this policy mandates the pursuit of the following overall goals and objectives for cash management:

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

# Cash Management Policy



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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 cash management 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.



# **City of Fort Worth**

## **Department of Finance**

### **Investment Policy and Strategy**

#### **General Portfolio**

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#### **I. Introduction**

It is the policy of the City of Fort Worth, Texas (the “City”) that the administration of its funds and the investment of those funds shall be handled in a manner that promotes the highest public trust. Investments shall be made in a manner which will provide the maximum security of principal by setting guidelines for investment diversification by both type and maturity while meeting the daily cash flow needs of the City. The Investment Policy and Strategy is established to define the parameters within which investments are to be managed and to implement reasonable standards for the City's cash management and investment operations.

The purpose of this document is to establish overarching investment policy, provide investment strategy and guidelines, and set specific rules and parameters governing investment practices. This policy formalizes the framework for the City's investment activities that must be exercised to ensure effective and judicious fiscal and investment management of its funds. The guidelines are intended to be broad enough to allow the Investment Officer(s) to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

#### **II. Governing Authority**

All investment and cash management activities shall be conducted in full compliance with applicable City ordinances as well as state and federal rules and regulations. Specific statutory regulations for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). All investments will be made in accordance with this statute. Collateral requirements are established in Texas by the Public Funds Collateral Act, Chapter 2257, Texas Government Code, for all public Texas funds deposits.

Under the direction of the City Manager, the Chief Financial Officer/ Director of Finance and the Investment Officers are authorized to promulgate reasonable procedures to ensure effective and judicious management of City funds which align

with this policy.

### **III. Scope**

This policy applies to all public funds in the custody of the City that are not required by law to be deposited in the state treasury and that the City has authority to invest. These funds are reported in the City's Annual Comprehensive Financial Report (ACFR).

Funds held by trustees or retirement funds are excluded from this policy; however, all funds are subject to regulations established by the State of Texas. These excluded funds may also be reported in the City's Annual Comprehensive Financial Report (ACFR) based upon standards promulgated by the Governmental Accounting Standards Board (GASB).

### **IV. Objectives**

The City shall manage and invest its assets with the following four major objectives, listed in order of priority:

#### **1. Safety**

Consistent with the requirements of the Act, safety of principal is the foremost objective of the City's investment program. All aspects of cash and investment management operations shall be designed to ensure the safety and integrity of the City's financial assets. Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolios, mitigating credit and interest rate risk. Each investment transaction shall be conducted in a manner to minimize principal losses. All cash and investment management activities shall be done in a manner that promotes and is reflective of public trust.

#### **2. Liquidity**

The investment portfolios shall be structured to timely meet expected cash flow needs and associated obligations in a manner that results in the lowest cost to the City. This objective shall be achieved by matching investment maturities with forecasted cash outflows and maintaining an additional liquidity buffer for unexpected liabilities.

#### **3. Diversification**

The portfolios shall be diversified by market sector and maturity in order to

manage market risk.

#### **4. Yield**

The investment portfolios shall be designed with the objective of attaining a reasonable market rate of return throughout economic cycles, taking into account the investment risk constraints of safety and liquidity needs. The benchmarks for the portfolios shall be designed for their comparability to the expected average cash flow patterns of the portfolios. The investment program shall seek to augment returns above the applicable benchmark consistent with risk limitations identified herein and prudent investment policies and practices.

### **V. Strategies**

To the extent feasible under prevailing market conditions, the City will strive to maintain and manage two portfolios in which funds are pooled for investment purposes: a Short-Term Portfolio and a Long-Term Portfolio. The Short-Term Portfolio would be used to manage that portion of the City's assets that, based on analysis of historic cash flow patterns, is projected to be needed within the five year planning and forecast horizon to meet the City's cash flow needs. The Long-Term Portfolio would be used to manage that portion of the City's assets that, based on analysis of historic cash flow patterns and current projections, is not needed to meet the City's cash flow needs within the five-year planning and forecast horizon and is therefore available and suitable for longer term investment. In general, the Investment Officers shall manage investments to ensure that if an unexpected cash need arises, the City will be able to liquidate sufficient investments to meet its needs without incurring adverse consequences. When prevailing market conditions do not offer adequate returns on long-term investments to compensate for the corresponding interest-rate risk and loss of liquidity, the Investment Officers, in consultation with the Investment Advisor, are authorized to focus investments in the Short-Term Portfolio and forgo adding to the Long-Term Portfolio.

Operating within appropriately established administrative and procedural parameters outlined in this Investment Policy and Strategy, the City should pursue optimum financial rewards in both portfolios, while simultaneously controlling related expenditures. Cash management functions shall be conducted in a manner that promotes the best financial and administrative interests of the City. Except for money in certain restricted and special funds, the City commingles its available cash and investments across all funds to maximize investment earnings and to increase investment efficiencies with regard to pricing, safekeeping and administration. The strategies used are intended to ensure compliance with the statutes and address suitability of the investments, preservation of principal,

liquidity, marketability of securities, diversification controls and reasonably attainable yield. The strategies will utilize competitive bidding practices and other controls as established by this policy for all transactions.

The investment strategy for each portfolio incorporates the specific considerations and the unique characteristics of the fund groups represented in that portfolio. Both portfolios shall be invested in high credit quality investments. For the Short-Term Portfolio the City shall pursue a strategy which fully utilizes its cash assets to obtain a competitive yield while also allowing the City to meet projected cash flow needs, to minimize the cost of liquidity, and to maintain the objectives set forth in this policy. The investment strategy for the Long-Term Portfolio will be focused on appreciation while also meeting the objectives set forth in this policy.

At all times the City shall maintain a cash buffer to meet daily anticipated liquidity requirements by structuring the Short-Term Portfolio to maintain approximately 10% in liquid investments. Based upon the analysis of historic cash flow patterns, the Short-Term Portfolio shall not exceed a weighted average maturity (WAM) of two and one-half (2.5) years, and no security in this portfolio shall exceed a maximum stated maturity of five (5) years. In the Long-Term Portfolio the maximum WAM shall not exceed seven and one half (7.5) years, and no security shall exceed a maximum stated maturity of ten (10) years. Notwithstanding the foregoing, if state law and/or this policy provides for a lower maximum stated maturity for a particular type of investment, that more restrictive requirement shall control.

Investment earnings from both portfolios shall be allocated to the various participating funds based on each fund's pro rata ownership in the portfolio and in accordance with generally accepted accounting principles. Investment earnings will be allocated to the participating funds or their corresponding debt service funds as determined in the City's annual budget process.

Securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the sale. The Investment Officer(s) and/or Investment Advisor will continuously monitor the contents of each portfolio, the available markets, and the relative value of competing instruments to adjust each portfolio in response to market conditions.

Securities lending, as more fully described in Authorized Investments (Section IX), may be used to add incremental income to both portfolios when it proves to be beneficial to the City.

## **VI. Standard of Care**

The standard of prudence to be used for all City investments shall be the

"prudent person" standard as established by the Act and shall be applied in the context of managing the overall portfolios. The "prudent person" standard states that:

“Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of their capital and the probable income to be derived.”

Investment Officer(s) acting in accordance with promulgated procedures and this Investment Policy and Strategy and exercising due diligence shall be held accountable for any individual security's credit risk or market price changes but shall not be personally liable for deviations from expectations so long as deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## **VII. Responsibility and Delegation of Authority**

### **A. City Council**

By law, the City Council retains ultimate fiduciary responsibility for the portfolios. The Council is to receive quarterly reports and annually review and adopt the Investment Policy and Strategy. In addition, the Council is responsible for designating one or more individuals to serve as Investment Officer(s). In accordance with the Act, the Council may retain responsibility for reviewing and approving authorized broker/ dealers and investment training sources or designate those two responsibilities to the Investment Committee.

### **B. Investment Officer(s)**

In accordance with the Act, by adoption of this policy, the City Council designates and appoints the individuals holding the following positions to serve as Investment Officers to serve in accordance with state law and be responsible for the investment of City funds consistent with this Investment Policy and Strategy: the City's Chief Financial Officer/ Director of Finance, the Finance Department Assistant Director for Treasury Services, and the Treasury Supervisor.

The City may contract with a registered Investment Advisor to provide guidance in the management of the portfolios; however, the Investment Officer(s) will be responsible for investment decisions and activities. The Investment Officer(s) and Advisor shall seek to act responsibly as custodians of the public trust. No Investment Officer may engage in an investment transaction except as provided under the terms of this policy and procedures adopted in accordance with this

## Investment Policy and Strategy.

The Investment Officer(s) and Investment Advisor are responsible for creating and maintaining the portfolios in accordance with this policy, providing timely quarterly reporting to the City Council, and establishing procedures and controls for the process and financial counter-parties (brokers, banks, pools). The Investment Officer(s) and Investment Advisor shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy and Strategy.

### **Training**

In accordance with the Act, all Investment Officer(s) shall attend ten hours of training within twelve (12) months after assuming investment duties and shall attend eight hours of training every two years thereafter, with the first such two-year period beginning on the first day of the City's fiscal year after the year in which the Investment Officer takes the initial training. Training shall be provided by professional organizations authorized in accordance with state law and designated by the Investment Committee.

### **Ethics and Disclosures**

Officer(s) and employees involved in the investment process shall refrain from any personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Investment Officer(s) shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the City.

The City Code requires the Chief Financial Officer/Director of Finance to complete and file a financial disclosure statement with the City Secretary.

In addition, all Investment Officer(s) shall file disclosure statements with the Texas Ethics Commission and the City Council if:

- a. the officer has a personal business relationship with a business organization offering to engage in an investment transaction with the City (as defined in Section 2256.005 (i)(1-3) of the Act); or
- b. the officer is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to transact investment business with the entity.

### **C. Investment Committee**

In adopting this policy, the City Council authorizes the creation of an Investment Committee to provide guidance to the Investment Officer(s) and Investment



Advisor. In accordance with the Act, the City Council hereby delegates to the Committee the authority to approve the annual broker/ dealer list and to authorize organizations to provide the training required under state law. **No other decision-making authority is transferred to the Committee.** The Committee will meet periodically to review the investment portfolio performance, to provide feedback on the portfolios, and to discuss investment strategies. This Committee will periodically review this Investment Policy and Strategy and recommend possible changes to the City Council.

The Committee will be comprised of the Chief Financial Officer/ Director of Finance, the Finance Department Assistant Directors for Treasury and Accounting, a representative of the Water Department, the Investment Officer(s), the Investment Advisor (as applicable), a representative of the Law Department, and other appropriate persons chosen by the Committee.

#### **D. Investment Advisor**

The City may engage the services of a Securities and Exchange Commission (SEC) registered Investment Advisor (registered under the Investment Advisors Act of 1940) to assist in the management of the investment portfolios in a manner consistent with the City's objectives and policies. All security transactions will be approved by the City prior to the Investment Advisor taking action. Approval may be in the form of a phone call, email, facsimile or other written communication. The Investment Advisor may not be granted total discretion in the management of funds.

The Investment Advisor shall make recommendations to the Investment Committee which support and align the investment vehicles with this policy and ensure that its support activities are consistent with the City's established policies, rules and regulations.

### **VIII. Authorized Financial Institutions, Depositories, and Broker/Dealers**

A list of financial institutions, broker/ dealers, and depositories authorized to provide investment services will be maintained by the Investment Officer(s). All counter-parties will be selected through a process of due diligence. Due diligence requires competitive transactions and delivery versus payment settlement.

The City will furnish counter-parties with the City action authorizing the Investment Officer(s) or Investment Advisor to establish and maintain accounts for the purpose of purchasing and selling securities authorized under Texas law and this policy.

#### **Certification**

Section 2256.005(1) of the Act requires that any business organization offering to engage in an investment transaction with the City must be provided with a copy of this Investment Policy and Strategy with “business organization” defined as “an investment pool or investment management firm under contract with an investing entity to invest or manage the entity’s investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity’s funds.” That provision also requires the business organization must provide the City with a written instrument (in a form acceptable to both parties) executed by a representative of the business organization that substantially acknowledges that the business organization has:

- a. Received and reviewed the City's Investment Policy and Strategy; and
- b. Implemented reasonable procedures and controls in an effort to preclude investment transactions with the City that are not authorized by the City's Investment Policy and Strategy.

Any material changes to the Investment Policy and Strategy will require re-certification by all authorized firms.

### **Security Broker/Dealers**

In accordance with the authority delegated by the City Council, the Investment Committee will at least annually review and adopt a list of broker/dealers who are authorized to engage in investment transactions with the City. If the City engages a firm to act as an investment advisor or as an investment manager, the firm will have the responsibility to ensure all broker/dealers comply with the provisions of this policy.

Authorized broker/dealers may include "primary" or regional dealers as well as brokers. No broker/dealer may hold City securities because all transactions must be settled delivery versus payment (DVP). An entity is disqualified and will not be authorized to serve as a broker/dealer if the entity is (a) a banking services depository that acts as safe keeper of City securities in order to perfect the DVP process or (b) a brokerage subsidiary of a depository identified in (a).

Each broker/dealer must supply the following documents which will be maintained by the Investment Officer(s) or Investment Advisor.

- annual audited financial reports
- Financial Industry Regulatory Authority (FINRA) registration
- Central Registration Depository Number (CRD)
- proof of Texas State Securities registration
- City broker/dealer questionnaire
- Investment Policy and Strategy review certification

Banks acting in a brokerage capacity must supply the following documents to be maintained by the Investment Officer(s) or Investment Advisor.

- annual audited financial reports
- proof of Texas State Securities registration
- City broker/dealer questionnaire
- Investment Policy and Strategy review certification

At a minimum the Investment Officer(s) or Investment Advisor shall review the performance, financial condition and registration of all qualified financial institutions and broker/dealers annually. Results are to be provided to the Investment Committee for review and consideration in the annual approval of the broker/dealer list.

## **IX. Existing Investments**

Except as provided by Texas Government Code Chapter 2270, the City is not required to liquidate investments that were authorized investments at the time of purchase.

## **X. Authorized Investments**

The Act lists all possible authorized investments available to Texas public entities. The City shall invest only in those investments authorized below as such investments are further defined by the Act. If this policy provides for a lower stated maximum maturity or other more restrictive condition on an authorized investment, the more restrictive requirement controls. If changes are made to the Act to allow for additional possible authorized investments, such investments will not be authorized by the City until this policy is modified and adopted by the City Council. All investment transactions will be made on a competitive basis.

1. Direct obligations of the United States Treasury.
2. Obligations of United States government agencies and instrumentalities, including mortgage-backed securities and collateralized mortgage obligations (CMO) which pass the Federal Reserve's bank test.
3. FDIC-insured and/or collateralized certificates of deposit as allowed by law.
4. Commercial paper rated A1/P1 or equivalent by two nationally recognized rating agencies, with a maximum stated maturity of three-hundred sixty five (365) days.

5. AAA or equivalent rated, constant dollar, Texas local government investment pools as defined by the Act.
6. AAA-rated, SEC-registered money market mutual funds which strive to maintain a \$1 net asset value.
7. FDIC-insured brokered certificates of deposit securities from a bank in any US state, delivered versus payment to the City's safekeeping agent. Before purchase, the Investment Officer(s) or Investment Advisor must verify the FDIC status of the bank to ensure that the bank is FDIC insured.
8. General debt obligations of any state or political subdivision of any US state, rated AA or higher.
9. Fully collateralized, direct repurchase agreements executed through a primary government securities dealer. A Bond Market Association Master Repurchase Agreement and independent third party safekeeping are required. A flex repurchase agreement used for bond funds must match the expected expenditure schedule of the bonds.
10. Banker's acceptances with a maximum stated maturity of one-hundred twenty (120) days accepted by a US registered bank rated not less than A1/ P1 by two nationally recognized rating agencies.
11. Reverse repurchase agreements executed for investment purposes with a primary securities dealer. The proceeds may not be invested in any security with a maturity date longer than the maturity date of the reverse repurchase agreement.
12. Securities Lending Transactions under a written agreement with a primary securities dealer lending the City's investment securities with the collateralization/ substitution of securities with a minimum 102% margin and safe kept by an approved custodial bank in an account in the City's name. Transaction documentation and collateral reports are to be provided to the City daily.
13. Investment Pools as allowed by law which must also be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one (1) nationally recognized rating service. A public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at \$1.00 net asset value, when rounded and expressed to two decimal places.

## **XI. Collateralization**

### **Time and Demand Pledged Collateral**

All time and demand deposits shall be secured above FDIC coverage by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, collateral will be maintained and monitored by the pledging depository at 102% of market value of principal and accrued interest on the deposits. The bank shall monitor and maintain the margins on a daily basis. All collateral shall be subject to inspection and audit by the City or its auditors. To allow for compliance verification by the City, monthly reports of pledged collateral shall include, at a minimum, information for each security that identifies its (i) type, (ii) CUSIP number, and (iii) face value.

Collateral pledged to secure deposits shall be held by an independent financial institution outside the holding company of the depository, approved by the Investment Officer(s), in accordance with a safekeeping agreement executed under the terms of the Financial Institutions Resource and Recover Enforcement Act (FIRREA).

### **City Owned Collateral**

Each counter party to a repurchase transaction is required to execute the Bond Market Master Repurchase Agreement and to provide collateral, at a 102% margin, that must be held by an independent third party custodian approved by the Investment Officer(s). The Master Agreement must be fully executed before any transaction is initiated. Collateral will be evidenced by safekeeping reports/receipts clearly denoting City ownership from the safekeeping agent and include information as to each position (security type, CUSIP number, face and market value).

### **Authorized Collateral**

As authorized by the Public Funds Collateral Act and further restricted by this policy, acceptable collateral for time and demand deposits and repurchase agreements shall include only:

Obligations of the U.S. Government, its agencies and instrumentalities, including mortgage-backed securities and CMO that pass the *bank* test, and Obligations of any U.S. state, city, county or authority rated at least A by two nationally recognized statistical rating organizations.

## **XII. Diversification**

The City recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification. The strategies for diversification are dependent upon market conditions and cash flow needs and

targeted diversification may change in accordance with these conditions.

Guidelines for target investment diversification for the combined Short-Term and Long-Term Portfolios are as follows:

US Obligations	80 %
US Agencies/Instrumentalities	80 %
Any one issuer	35 %
Depository Certificates of Deposit	30 %
Any one bank	10%
Commercial Paper	20 %
Any one issuer	5 %
Local Government Investment Pools	80 %
Money Market Mutual Funds	80 %
Brokered Certificate of Deposit Securities	10%
Municipal Obligations	35 %
Any one issuer	5 %
Repurchase Agreements	50 %
Flex in one specific bond fund (100 %)	
Bankers Acceptances	15 %

Fluctuations in cash flows may cause the portfolios to vary. Comparison to these diversification targets will be reported as part of all regular monthly and quarterly investment reports. Securities need not be liquidated to realign the portfolios.

The following table provides a guideline for targets in laddering maturities in the Short-Term Portfolio. Market calls and advantageous trades prior to maturity swaps may cause the portfolio to deviate from these guidelines. Securities need not be liquidated to realign the portfolios so long as the weighted average maturity for the overall portfolio remains at or below the maximum two and one half (2.5) year limitation.

#### Maturity Range

Liquidity	10%
1 month – 1 year	30%
1 year – 2 year	15%
2 year – 3 year	15%
3 year – 4 year	15%
4 year – 5 year	15%

### **XIII. Internal Controls**

The Investment Officer(s) have the responsibility of establishing and maintaining an internal control structure designed to provide reasonable assurance that assets

are protected from loss, theft, or misuse. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and, the valuation of costs and benefits requires ongoing estimates and judgments by management.

The internal controls shall address the following points at a minimum:

- Control of collusion;
- Separation of transaction authority from accounting and record keeping;
- Custodial safekeeping;
- Clear delegation of authority;
- Written documentation on all transactions; and
- Review, maintenance, and monitoring of security procedures.

In accordance with the Act, a compliance audit of management controls on investments and adherence to this policy shall be conducted in conjunction with the City's annual external financial audit.

The Investment Officer(s) will develop and maintain internal procedures, describing use of bank balances, calculation of the City's liquidity needs, daily investment procedures, investment transaction documentation, and distribution of reports, at a minimum.

### **Competitive Transactions**

The Investment Officer(s) or Investment Advisor shall obtain competitive bid information on all transactions and maintain documentation thereof. A competitive bid/ offer must involve at least three separate brokers/institutions or use of a nationally recognized electronic trading platform with three bids/offers.

For transactions involving new issue agencies or securities for which there is no readily available competitive offering on the same specific issue, then the Investment Officer(s) or Investment Advisor shall document quotations for comparable or alternative securities.

### **Delivery vs. Payment**

The Act requires that all trades of marketable securities be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the City's safekeeping institution prior to the release of funds.

### **Cash Flow Forecasting**

Cash flow forecasting is designed to protect and sustain the City's ability to meet its cash flow requirements. Supplemental to the financial and budgetary systems, the Investment Officer(s) will maintain a cash flow forecasting process designed to monitor and forecast cash positions to assist in determining appropriate laddering

of investment maturities to meet projected liquidity needs.

#### **Monitoring Credit Ratings**

The Investment Officer(s) or Investment Advisor shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolios based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by the Act or by policy, the Investment Officer(s) or Investment Advisor shall notify the Investment Committee within two business days of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available. All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. However, The City is not required to liquidate investments that were authorized investments at the time of purchase.

#### **Monitoring FDIC Status for Mergers and Acquisitions**

The Investment Officer(s) or Investment Advisor shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CD securities owned by the City based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer(s) or Investment Advisor shall immediately liquidate any brokered CD securities which places the City above the insured FDIC insurance level.

#### **External Audits**

An annual review of the quarterly investment reports will be made by the City's external auditors. Such audit will include tests deemed appropriate by the auditor to ensure compliance with the Act and this policy.

### **XIV. Safekeeping**

All security transactions will be settled on a delivery versus payment basis.

Securities owned by the City will be held by the City's depository or other City contracted safekeeping institution independent from any security transactions. All safekeeping contracts will be executed in writing. The safekeeping agent shall provide documentation of all securities and evidenced by safekeeping receipts/reports indicating ownership by the City.

### **XV. Reporting**

#### **Quarterly Reporting**

In accordance with the Act, no less than quarterly the Investment Officer(s) or Investment Advisor will prepare and submit a report to the City Council. The



report will comply with the Act and will contain, at a minimum, the following information for each portfolio (Short-Term and Long-Term):

- a. a detailed description of each investment position as of the date of the report, including book and market values and purchase yield;
- b. individual transactions (buy/sell, maturities, calls) during the period;
- c. summary statements for the total portfolios including:
  - (1) beginning and ending book value for the reporting period,
  - (2) beginning and ending market value for the reporting period,
  - (3) change in market value (volatility measure) for the reporting period,
  - (4) total earnings for the reporting period,
  - (5) WAM at the beginning and end of the period, and
  - (6) portfolio yield and benchmark yield for the reporting period.
- d. securities lending income stated as a separate amount and also expressed as a part of the overall portfolio-yield calculation, with overall yield shown in comparison to benchmark.
- e. asset allocation by maturity and market sector with comparison to policy guidelines, and
- f. compensating balances maintained at depositories at its earned credit rate (ECR) stated as a separate amount and also expressed as a part of the overall portfolio-yield calculation, with overall yield shown in comparison to benchmark.
- g. overall blended yield (taking into account both securities lending and ECR revenues) in comparison to benchmark.

The quarterly report shall include a statement of compliance for each portfolio as it relates to the City's Investment Policy and Strategy and shall be signed by each Investment Officer and Investment Advisor. In order to maintain the transparency of the program, the reports shall be made easily available and clear and concise for the reader.

Prices used for calculation of market values will be obtained from an independent source.

### **Benchmarks**

The benchmarks for the performance of the City's investment portfolios will be (a) for the Short-Term Portfolio the comparable period average of the yield of the portfolio and the ICE BoAML 0-5 year US Treasury Index and (b) on the Long-Term Portfolio the comparable period average yield of the portfolio and the ICE BoAML 0-10 year US Treasury Index. The City's objective is to match or exceed the benchmarks through active portfolio management.

## **XVI. Investment Policy Adoption**

The Investment Policy and Strategy shall be reviewed and adopted by the City Council at least annually. The adopting instrument shall identify any changes made to the policy.

### **Policy Reviewed and Approved:**

<b>Date</b>	<b>M&amp;C Reference</b>	<b>Comments</b>
February 5, 2013	G-17801	Restated and Revised Policy Adopted
December 3, 2013	G-18067	Policy Approved – No Changes
May 5, 2015	G-18466	Policy Approved – No Changes
September 15, 2015	G-18552	Training requirements revised to reflect amended state law
April 19, 2016	G-18720	Short-Term / Long-Term; WAM; investment duration; defining yield
January 24, 2017	G-18922	Amended investment types and minor technical corrections
September 26, 2017	G-19116	Amended Section VIII, subsection Security Broker/Dealers
September 11, 2018	G-19361	Training requirements revised to reflect amended state law; Ethics and Disclosures by Investments Officers revised to clarify and strengthen policy; added new Section IX. Existing Investments; Authorized Investments subsection 13. Investment Pools revised to clarify policy; Re-numbered existing Sections IX to XVI due to addition of new Section IX. Existing Investments
September 10, 2019	19-0144	Amended Authorized Investments, Subsection 4, Commercial Paper maximum maturity changed from 270 days to 365 days
September 22, 2020	20-0686	Amended Section V. Strategies, first and second paragraphs; Amended Section VII. Responsibility and Delegation of Authority, Subsection B. Investment Officer(s), second paragraph updated wording; Amended Section XV. Reporting, Benchmarks; Changed Short-Term Portfolio benchmark from the two-year Treasury Note to ICE BoAML 0-5 year US Treasury Index and changed the Long-Term Portfolio benchmark from seven-year Treasury Note to ICE BoAML 0-10 year US Treasury Index; Corrected typos and spelling errors
August 24, 2021	21-0593	Amended Section XIII. Internal Controls Strategies/Monitoring Credit Ratings, clarified options available if an investment's credit rating falls below minimum rating requirements

Date	M&C Reference	Comments
September 13, 2022	22-0661	References throughout the document to the "Comprehensive Annual Financial Report" and its acronym were changed to "Annual Comprehensive Financial Report" or "ACFR" in accordance with Governmental Accounting Standards Board issued Statement No. 98. Additionally, the title of the City's Chief Financial Officer/Director of Finance was corrected throughout the IPS document.

City of Fort Worth  
Department of Finance  
Investment Policy and Strategy  
Fort Worth Permanent Fund

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## **I. INTRODUCTION AND SCOPE**

It is the policy of the City of Fort Worth, Texas (the "City") that the administration and investment of all City funds shall be handled in a manner that promotes the highest public trust. The City Council has designated that certain funds obtained from mineral rights owned by the City be placed in a trust for benefit of the City, with such trust to be known as the Fort Worth Permanent Fund (the "Permanent Fund") and to be invested in accordance with this Policy. Those funds that have been obtained from mineral rights but not designated as part of the Permanent Fund will be managed as part of the City portfolio under the City's General Portfolio Investment Policy and Strategy.

This Fort Worth Permanent Fund Investment Policy and Strategy (the "Policy") sets specific investment and strategy guidelines for funds placed in the Permanent Fund and establishes controls to ensure effective and judicious fiscal and investment management. The guidelines are intended to be broad enough to allow active investment within the Policy parameters yet specific enough to adequately safeguard the assets.

## **II. GOVERNING AUTHORITY**

All Permanent Fund investment activities shall be conducted in full compliance with applicable City ordinances as well as state and federal regulations. Statutory regulations generally applicable to the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"), with a specific provision applicable solely to municipal funds for the management and development of mineral rights found in Sec. 2256.0202 of the Act, which incorporates by reference The Texas Trust Code (Subtitle B, Title 9, Property Code). All investments of monies in the Permanent Fund will be made in accordance with these statutes and this more restrictive Policy. Collateral requirements are established in Texas by the Public Funds Collateral Act, Chapter 2257, Texas Government Code.

## **III. OBJECTIVES**

The Permanent Fund, some portion of which may be maintained as permanent funds as determined by the City, is to be managed and invested in general accordance with the Act and follow four major investment objectives: safety, liquidity, diversification and yield.

Safety of principal is the foremost objective of the City's overall investment program, and safety of principal shall be an objective with respect to the investment of the Permanent Fund as well. Investment transactions and strategies shall address and consider the preservation of capital and minimization of capital loss as well as growth. Liquidity is not critical in the Permanent Fund because these funds are not to be used for ongoing operational expenses, expenditures, or liabilities. Diversification in portfolio structure is intended to further protect the Permanent Fund from over- concentration. Growth and income will be the primary objectives for the Permanent Fund after all other objectives have been achieved.

#### **IV. STRATEGY**

The Permanent Fund is to be invested in designated sub-accounts as per the Gas-Related Revenue & Expense/Expenditure Policy. Operating within appropriately established administrative and procedural parameters, the Trustee shall pursue growth and returns within Policy parameters. Withdrawals from the Permanent Fund may be made annually pursuant to the terms of the Trust and will require coordination and planning to minimize having to recognize unrealized losses. No cash buffer is required on the portfolio.

The Permanent Fund shall be managed proactively in high credit quality investments. Securities lending may be used to add incremental income. Strategies shall utilize competitive bidding where appropriate and other controls as established by this Policy for all transactions pursuant to the terms of the Trust.

Securities may be sold or swapped if an opportunity exists to benefit from the trade. All transactions, including swaps must be documented. The Trustee will continuously monitor the contents of the portfolio, the available markets, and the relative value of competing instruments to adjust the portfolio in response to market conditions.

#### **V. STANDARD OF CARE**

The standard of care to be used shall be the "prudent person" standard as established by the Act and shall be applied in the context of managing the overall Permanent Fund. The "prudent person" standard states that:

“Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.”

In determining whether a Trustee has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration: (1) the investment of all funds, or funds under the Trustee’s control, over which the Trustee had responsibility rather than a consideration as to the prudence of a single investment; and (2) whether the investment decision was consistent with this written investment Policy.

## **VI. DELEGATION OF AUTHORITY AND RESPONSIBILITY**

### **City Council**

By law, the City Council retains ultimate fiduciary responsibility for the Permanent Fund regardless of management assignment. The Council shall receive quarterly reports and annually review and adopt this Policy. The Investment Committee designated by the City Council is responsible for reviewing and authorizing all broker/dealers.

### **Chief Financial Officer**

The Chief Financial Officer/Director of Finance (the “CFO”) is responsible for monitoring the portfolio and reports submitted by the Trustee.

### **Trustee**

The Trustee (the “Trustee”) will be responsible for monitoring and controlling the portfolio in accordance with the terms of the Trust Agreement for the Fort Worth Permanent Fund, as amended. The Trustee, with approval of the City, may engage the services of a Securities and Exchange Commission (SEC) registered Investment Adviser (registered under the Investment Advisers Act of 1940) or a National Bank exempt from registration to provide the investment management of the Permanent Fund in a manner consistent with the Policy. The Trustee and the selected Investment Adviser or National Bank may be affiliated.

The Trustee shall provide timely monthly and quarterly reports to the CFO and Investment Committee in accordance with the Act and establish internal procedures and controls for the investment process and financial counter-parties.

In managing the Permanent Fund, the Trustee’s use and acceptance of soft dollars shall be limited by the terms of this paragraph. For purposes of this paragraph “soft dollar” shall refer to non-monetary credit offered by an executing broker/dealer in connection

with a purchase or sale. Soft dollar credits may only be used and accepted by Trustee or a sub-advisor to acquire research for use in the investment decision-making process for the benefit of the Permanent Fund. As set out in Section 28(e) of the Securities Exchange Act of 1934, prior to accepting or utilizing any soft dollars the Trustee or sub-advisor receiving the soft dollar credit must have first determined in good faith that the commissions to be paid on the securities transaction are reasonable in relation to the value to the Permanent Fund of the brokerage and research provided. If the trade is executed through Trustee's selected broker/ dealer, Trustee will receive the soft dollar credit. The Permanent Fund may, as a result, pay somewhat higher commissions for the securities transaction than what might have been obtainable on a non-soft dollar basis. Trustee may not utilize or accept soft dollars except in strict compliance with the foregoing terms.

The Trustee shall refrain from activity that could conflict with the proper execution and management of the Permanent Fund or that could impair their ability to make impartial investment decisions. Any business or personal relationships with investment counterparties shall be disclosed to the CFO and the Texas Ethics Commission.

### **Investment Committee**

The City's Investment Committee will perform a strategy and performance review at least semi-annually. The Committee will review and act on any potential need for refinement or revision of the Permanent Fund's policies or strategies. Annually the Committee will approve all broker/dealers in accordance with the Act.

## **VII. AUTHORIZED COUNTER PARTIES**

### **Certification**

The Act requires

(1) that a written copy of the investment policy be presented to a business organization offering to engage in an investment transaction with the Permanent Fund with "business organization" defined as "an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds."

and

(2) that the person or business organization receiving the policy provide a written Policy Certification, acceptable to both the investing entity and the business organization and executed by a representative of the business firm, substantially acknowledging that the business organization has:

- a. received and reviewed the Fort Worth Permanent Fund Investment Policy and Strategy; and
- b. implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Permanent Fund and the organization that are not authorized by the Policy.

If the City retains self-management of the Permanent Fund, copies of this Policy will be provided to all business organizations offering to engage in an investment transaction with the Permanent Fund on an annual basis, and a Policy Certification from each such business organization must be received by the City. If the City engages a corporate Trustee to serve as an investment management firm under contract, a copy of this Policy shall be provided to the corporate Trustee, and a Policy Certification will be obtained from a qualified representative of the Trustee.

No transaction (other than mutual funds) may be completed except in compliance with this section.

### **Security Broker/Dealers**

The Council appointed Investment Committee will at least annually review and adopt a list of broker/dealers which will then be authorized to engage in investment transactions concerning the Permanent Fund. If the City engages a corporate Trustee to serve as an investment management firm under contract, the investment management firm will have the responsibility to ensure all broker/dealers comply with the provisions of this policy.

No broker/dealer or independent Adviser may safe-keep Permanent Fund securities or funds. All security transactions shall be settled delivery versus payment (DVP) to the Permanent Fund account. In order to perfect the DVP process, neither the Trustee nor the safekeeping depository (nor their brokerage subsidiaries) will be approved as a broker/dealer.

The Trustee will perform due diligence and maintain information on each broker/dealer, including a process to ensure best execution. The Trustee shall review the performance, financial condition and registration of all qualified counter-parties on an ongoing basis. Results will be provided to the Investment Committee for review upon request.

## **VIII. AUTHORIZED INVESTMENTS**

The Permanent Fund shall be invested only in the investments authorized below and further defined by the Act and Trust Code. If additional types of potential authorized investments are created by changes made to the controlling statutes, they will not be



authorized until this Policy is amended and adopted by the City Council. All investment transactions will be placed in an effort to achieve a fair and reasonable return under all circumstances and in light of other investment alternatives available.

1. Obligations of the United States Government, its agencies and instrumentalities including mortgage backed securities and collateralized mortgage obligations (CMO) which pass the Federal Reserve's bank test, with a maximum stated maturity of twenty (20) years.
2. FDIC insured and/or collateralized depository certificates of deposit from banks in the United States, with a maximum maturity of three (3) years.
3. Commercial paper rated A1/P1 or equivalent by two nationally recognized rating agencies, with a maximum maturity of 365 days.
4. AAA or equivalent rated constant dollar, Texas local government investment pools as defined by the Act.
5. AAA-rated United States Institutional government money market mutual funds.
6. Debt obligations of any state or political subdivision of any US state, rated A or better with a stated maturity not to exceed ten (10) years.
7. Fully collateralized, direct repurchase agreements executed through a primary government securities dealer, with a maximum maturity of one (1) year. A Bond Market Association Master Repurchase Agreement, 102% margin, and independent third party safekeeping are required. (See section IX)
8. Banker's acceptances with a maximum maturity of 120 days accepted by a US registered bank with a short term rating of not less than A1/P1 by two nationally recognized rating agencies.
9. Domestic bond mutual funds with a maximum weighted average maturity of ten (10) years with a Morningstar rating of at least two stars if available. If a fund is less than three years old and lacks a Morningstar rating, that fund may be selected only if it has been recommended by an investment management firm under contract as Trustee of the Permanent Fund.
10. International bond mutual funds with a maximum weighted average maturity of fifteen (15) years with a Morningstar rating of at least two stars if available. If a fund is less than three years old and lacks a Morningstar rating, that fund may be selected only if it has been recommended by an investment management firm under contract as Trustee of the Permanent Fund.

11. Domestic or international equity and preferred stock mutual funds with a Morningstar rating of at least two stars if available. If a fund is less than three years old and lacks a Morningstar rating, that fund may be selected only if it has been recommended by an investment management firm under contract as Trustee of the Permanent Fund.
12. US or international stocks.
13. Real assets, including real estate, commodities and real estate investment trusts (REITS).
14. Alternative Investments to include hedge funds.
15. Corporate and asset backed securities rated A, or better with a stated maturity not to exceed ten (10) years.

### **Securities Lending**

If the City has an active securities lending agreement, the Permanent Fund securities may also be lent by Trustee utilizing the City's agreement as determined by the City under their written agreement and conditions only.

## **IX. COLLATERALIZATION**

### **Time and Demand Pledged Collateral**

All time and demand deposits placed by the Permanent Fund that exceed the limits of coverage provided by Federal Deposit Insurance Corporation (FDIC) shall be transferred to a money market fund or otherwise collateralized in accordance with the Texas Public Funds Collateral Act with collateral pledged to the Permanent Fund. In order to anticipate market changes and provide a level of security for all funds, collateral shall be maintained and monitored by the pledging depository at 102% of market value of principal and accrued interest on the deposits. The pledging bank shall monitor and maintain the margins on a daily basis. All collateral shall be subject to inspection and audit by the City or its internal and external auditors.

Collateral pledged to secure deposits of the Trust Fund assets shall be held by an independent financial institution outside the holding company of the depository, as approved by the Trustee, and in accordance with a safekeeping agreement executed under the terms of the Financial Institutions Resource and Recover Enforcement Act (FIRREA).

### **Permanent Fund Owned Collateral Under Repurchase Agreements**

Each counter party to a repurchase transaction is required to execute the Bond Market Master Repurchase Agreement and to provide collateral at a 102% margin and held by an independent third party custodian approved by the Trustee. The Master Repurchase Agreement must be fully executed before any transaction is initiated. Collateral will be evidenced by safekeeping reports/receipts clearly denoting Permanent Fund ownership from the independent safekeeping agent.

### **Authorized Collateral**

As authorized by the Public Funds Collateral Act and further restricted by this Policy, acceptable collateral for time and demand deposits and repurchase agreements shall include only:

- obligations of the U.S. Government, its agencies and instrumentalities including mortgage backed securities and CMO that pass the bank test, and
- obligations of any US state, city, county or authority rated at least A by two nationally recognized statistical rating organizations.

Collateral will be monitored at least monthly by the Trustee, and each month Trustee will send City a document listing any current collateral and its market value.

## **X. DIVERSIFICATION**

The City as beneficial owner of the Permanent Fund recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification. The strategy for diversification will be guided by the circumstances then prevailing but will generally be:

	Range	Target
<b>Cash, Cash Equivalents, and Fixed Income</b>	<b>30-55%</b>	<b>39%</b>
US Obligations		
US Agencies/Instrumentalities		
Depository Certificates of Deposit		
Commercial Paper		
Local Government Investment Pools		
Money Market Mutual Funds Municipal Obligations		
Corporate Obligations (Max. 20.00%)		
Asset Backed Securities (Max 10.00%)		
Repurchase Agreements		

Bankers Acceptances  
Domestic Bond Mutual Funds (Max.10.00%)  
International Bond Mutual Funds (Max. 10.00%)  
Preferred Stock Mutual Funds

<b>Equities</b>	<b>30-55%</b>	<b>37%</b>
U.S. Large Cap		14.00%
U.S. Mid Cap		5.00%
U.S. Small Cap		3.00%
Int'l Developed Markets Equity Mutual Funds		9.00%
Int'l Emerging Markets Equity		6.00%
<b>Real Assets</b>	<b>2-12%</b>	<b>12%</b>
Global Public REITS		8.00%
Private Real Estate		2.00%
Commodities		2.00%
<b>Alternative Investment</b>	<b>2-22%</b>	<b>12%</b>
Hedge Funds – Relative Value		3.00%
Hedge Funds - Macro		3.00%
Hedge Funds – Event Driven		2.00%
Hedge Fund – Equity Hedge		2.00%
Private Equity		2.00%

The diversification percentage guidelines will be measured based on market value. Fluctuations in cash flows may cause the portfolio to exceed these maximum percentages for a particular asset class subsequent to the purchase. Securities need not be liquidated to realign to match the portfolio diversification guidelines.

Because of its tax-exempt nature, the Permanent Fund shall not be invested based on tax optimized strategies with the goal of improving after-tax returns through active tax loss harvesting.

## **XI. INTERNAL CONTROLS**

The CFO and Trustee are responsible for mutually establishing and maintaining an internal and external control structure designed so that assets are reasonably protected from loss, theft, or misuse.

### **Competitive Transactions**

All investments will be made in an effort to achieve a fair and reasonable return under market circumstances and in light of other investment alternatives available and shall utilize market competition where appropriate.

In general, in buying or selling equity or fixed income securities, Trustee shall utilize electronic communications networks, exchanges, and market makers using the National Best Bid/Offer consolidated quote system pricing to solicit terms from multiple industry-recognized third party registered broker/dealers that are included on the then- current list of approved broker/dealers. The Trustee shall evaluate all transactions and brokers for best execution, taking into account a variety of factors including price, execution and commission costs, size of the order and other unique trading characteristics, value of research provided, financial responsibility, and the responsiveness of the brokers.

All bids and offers for fixed income shall be completed using at least three broker/dealers whenever possible to make certain of fair and competitive pricing in the market. In the event three bids cannot be obtained, Trustee shall use market variables to determine best price, including but not limited to: competitive pricing, market condition, sector, liquidity, and credit conditions. The Trustee shall not use margin accounts.

### **Delivery vs. Payment**

All trades of marketable securities shall be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the Permanent Fund safekeeping institution prior to the release of funds.

### **Monitoring Credit Ratings**

The Trustee 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 this Policy, the Trustee shall (i), within two business days of downgrade, notify the CFO of the loss of rating within two business days of the occurrence and (ii), within four business days of downgrade, notify the CFO of conditions affecting the rating and available liquidation options, including associated loss of principal, before any action is taken, provided however, that in extreme situations where the Trustee determines in the exercise of its reasonable discretion that immediate liquidation is prudent, Trustee shall be authorized to liquidate immediately but shall be required to provide the City with notice of such liquidation by the close of the following business day.

## **XII. SAFEKEEPING**

All security transactions will be settled on a delivery versus payment basis and held in the Permanent Fund by the Trustee, the City's depository or other Trustee-contracted safekeeping institution independent from any security transactions or trade counterparties. All safekeeping functions will be performed by the Trustee. The Trustee as safekeeping agent shall provide monthly statements on all security positions held by the Permanent Fund.

## **XIII. REPORTING**

### **Monthly Reporting**

No less than monthly, the Trustee will submit a report to the CFO and Investment Committee. The report will, at a minimum, comply with the statutory requirements for quarterly reporting below.

### **Quarterly Reporting**

No less than quarterly, the Trustee will prepare and submit a report to the Investment Committee. The report will comply with provisions of the Act governing Internal Management Reports and will contain, at a minimum, the following:

- a. detailed description of each investment position as of the date of the report including market values, market yield and earnings;
- b. summary statements for the Permanent Fund including:
  - (1) amortized book value for individual fixed income securities, market values, market yield, and earned income,
  - 2) beginning and ending market value for the reporting period,
  - (3) change in market value (volatility measure) for the reporting period,
  - (4) yield for the fixed income portion of the portfolio for the reporting period,
  - (5) total return for the entire portfolio for the reporting period,
  - (6) weighted average maturity, as applicable, and
  - (7) asset class returns and benchmark returns for the reporting period.

The quarterly report shall include a statement of compliance for the portfolio as it relates to the Fort Worth Permanent Fund Investment Policy and Strategy and be signed by the CFO and Trustee.

Prices used for calculation of market values will be obtained from an independent source.

### **Benchmark: Risk Measurement**

The benchmarks for risk measurement and performance of the Permanent Fund portfolio will be divided among the asset classes as outlined below.

- The benchmark for the fixed income portion shall be the Barclays' 1-5 Year Government/Credit Index for the comparable period.
- The benchmark for the equity portion shall be a total return equal to a composite of the total return of S&P 500 for stocks and the EAFE for international investments comparable to the then-current makeup of the portfolio for the comparable period.
- The benchmark for the real assets portion shall be the FTSE NAREIT All Equity REIT Index for the comparable period.
- The benchmark for the commodities portion shall be the Dow Jones UBS Commodities Index for the comparable period.
- The benchmark for the alternative investment portion shall be the HFRX Global Hedge Fund Index for the comparable period.

#### XIV. ADOPTION

The Fort Worth Permanent Fund Investment Policy and Strategy shall be reviewed by the Investment Committee and adopted by the City Council at least annually. The adopting resolution shall include any changes made to the Policy.

Policy Adopted:

Date	M&C Reference	Comments
April 16, 2013	G-17857	Policy Adopted
July 15, 2014	G-18244	Policy Approved – No Changes
May 5, 2015	G-18466	Policy Approved – No Changes
September 15, 2015	G-18552	Policy Approved – No Changes
September 26, 2017	G-19117	Policy Approved –Amended Authorized Investments and diversification requirements and guidelines
September 11, 2018	G-19359	Policy Approved – No Changes
September 10, 2019	19-0142	Policy Approved –Amended Section III. Objectives and Section VIII. Authorized Investments, item 3 Commercial Paper maximum maturity changed from 90 days to 365 days
September 22, 2020	20-0685	Policy Approved – No Changes
August 24, 2021	21-0592	Policy Approved –Amended Section X. Diversification to include revised ranges for Cash, Cash Equivalents, Fixed Income, and Equities
September 13, 2022	22-0661	Policy Approved – No Changes

City of Fort Worth  
Department of Finance  
Investment Policy and Strategy  
OPEB Trust

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## **I. OVERVIEW AND PURPOSE**

This investment policy and strategy applies to all accumulated assets for the City of Fort Worth Other Post-Employment Benefits Trust ("Trust") created by the Fort Worth City Council by Resolution No. 3779-08-2009, and its consultants, agents, investment managers, advisory boards, Trustees, Trust Administrator and assigned staff.

All investment activities shall be conducted in full compliance with applicable City ordinances as well as state and federal rules and regulations.

The purpose of this document is to provide the Trustee and its Sub Advisors with a set of objectives, parameters and guidelines to assist in the administration of the Trust; to guide investment managers in structuring portfolios consistent with desired performance result and acceptable risk levels; to assure the assets are managed in a prudent fashion and to serve as the framework for all investment activities related to the Trust.

## **II. INVESTMENT POLICY AND OBJECTIVES**

The primary obligations of the City's governing body in investing assets are to do so for the exclusive benefit of the beneficiaries. Emphasis must be placed upon the consistent protection of the Trust's assets and growth performance, i.e., the achievement of adequate investment growth must not be at the expense of the protection of the assets over the investment horizon. Specific objectives of investment activities carried out by the Trustee and its Sub Advisors include the following:

- A. The expected annual rate of return for the portfolio will be equal to the actuarial assumption, until amended by the City Council ("Council").
- B. Individual investment managers will not be measured against the aggregate fund objective stated in section II. A., but will be compared to appropriate market indices and a blended Plan Target Benchmark outlined in Section III, subsection 7 of the Policy.



## 1. AUTHORITY AND OVERSIGHT PROCEDURES

A. By law, the City Council retains ultimate fiduciary responsibility for the OPEB Trust Fund regardless of management assignment. The Council shall receive quarterly reports and annually review and adopt this Policy. The Investment Committee designated by the City Council is responsible for reviewing and authorizing all broker/dealers. The City Council has delegated the responsibility for conducting investment transactions with the Trustee and its Sub Advisors. The Trustee and its Sub Advisors will provide investment information to the Council concerning investment decisions, including rebalancing asset allocation, and portfolio performance on a quarterly basis.

B. The Chief Financial Officer/Director of Financial Management Services is responsible for monitoring the portfolio and reports submitted by the Trustee and its Sub Advisor.

C. The Trustee and its Sub Advisor shall maintain responsibility for investing the assets in the Trust. All assets will be held by the Trustee. The advisor will provide performance analysis that will include, but not be limited to, a strategic analysis including a report on asset allocation, risk analysis, and appropriate, if any, changes to the percentages therein. This study will be used to assist the Chief Financial Officer/Director of Financial Management Services and Investment Committee in the determination of the appropriate investment Policy.

D. Any business organization offering to engage in an investment transaction with the Trust must be provided with a copy of this Investment Policy and Strategy, with “business organization” defined as “an investment pool or investment management firm under contract with an investing entity to invest or manage the entity’s investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity’s funds.” The business organization must provide the City with a written instrument (in a form acceptable to both parties) executed by a representative of the business organization that substantially acknowledges that the business organization has: (a) received and reviewed this Investment Policy and Strategy; and (b) implemented reasonable procedures and controls in an effort to preclude investment transactions with the Trust that are not authorized by this Investment Policy and Strategy. Any material changes

to this Investment Policy and Strategy will require re-certification by each business organization.

E. The City's Investment Committee will perform a strategy and performance review at least semi-annually. The Committee will review and act on any potential need for refinement or revision of the OPEB Trust's policies or strategies.

## **2. STANDARDS OF CARE**

The standard of care to be used shall be the "prudent person" standard as established by the Act and shall be applied in the context of managing the overall OPEB Trust Fund. The "prudent person" standard states that,

"Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived."

In determining whether a Trustee has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration: (1) the investment of all funds, or funds under the Trustee's control, over which the Trustee had responsibility rather than a consideration as to the prudence of a single investment; and (2) whether the investment decision was consistent with this written investment Policy.

## **3. ETHICS AND CONFLICTS OF INTEREST**

Employees of the City of Fort Worth, the Trustee or its Sub Advisors involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, employees of the City of Fort Worth involved in the investment process shall disclose any material financial interests in financial institutions that conduct business with the City, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the City's investment program.

# **III. INVESTMENT GUIDELINES**

## **1. EXISTING INVESTMENTS**

Except as provided by Texas Government Code Chapter 2270, the City is not required to liquidate investments that were authorized investments at the time of purchase.

## **2. AUTHORIZED INVESTMENTS**

Investments consistent with the objectives contained in Section II, herein, other than those specifically prohibited shall be authorized. Equities will comprise a diversified portfolio of domestic small, mid and large cap equity, Real Estate Investment Trusts (“REITs”), and international equity investments.

### **Permitted Asset Classes and Security Types**

#### **Equity Securities**

- Domestic listed securities
- Equity and equity-related securities of non-US corporations, in the form of American Depositary Receipts (“ADRs”)
- Equity Mutual Funds and Exchange Traded Funds (ETFs)
- Large Cap
- Mid Cap
- Small Cap
- International
- Emerging Markets
- REITs

#### **Fixed Income Securities**

- Fixed Income Mutual Funds and Exchange Traded Funds (ETFs)
- Corporate
- Government
- High Yield
- International
- Bank Loan

If individual fixed income securities are purchased, the following parameters will be followed:

### **Eligible Securities:**

- Debt obligations of the U.S. Government, its agencies, and Government Sponsored Enterprises
- Mortgage-Backed Securities (MBS)

- Asset Backed Securities (ABS)
- Collateralized Mortgage Obligations (CMO)
- Commercial Mortgage-Backed Securities (CMBS)
- Corporate debt securities issued by U.S. or foreign entities including, but not limited to, limited partnerships, equipment trust certificates and enhanced equipment trust certificates
- Securities issued under SEC Rule 144A
- Municipal Bonds

### **Quality**

The portfolio will maintain a minimum weighted average effective quality of A- at all times. At the time of purchase, individual securities shall have a minimum effective quality rating of BBB-. Note, high yield fixed income can be purchased only in a diversified mutual fund or exchange traded fund.

For purposes of determining an effective rating, when three agencies rate a security (S&P, Moodys, Fitch) the middle rating will be used. When only two of the three agencies rate a security the lower of the two ratings will be used. When only one agency rates a security that rating will be used.

### **Duration**

The manager will maintain the portfolio duration within +/- 25% of the Bloomberg Barclays U.S. Aggregate Bond Index duration at all times.

### **Diversification**

No more than 5% of the portfolio assets may be invested in any individual issuer with the exception of securities issued or guaranteed by the U.S. Government, its agencies, and Government Sponsored Enterprises.

No more than 30% of the portfolio may be invested in securities issued under Rule 144A without registration rights (no limit on Rule 144a securities with registration rights).

## **3. MATURITY AND LIQUIDITY**

The OPEB trust assets shall provide sufficient liquidity, if necessary, for payment of direct medical benefits and expenses.

## **4. PORTFOLIO COMPOSITION, RISK AND DIVERSIFICATION**

Assets of the OPEB Trust Fund shall be invested in a broadly diversified portfolio consisting of equity, debt, and cash equivalent securities. The portfolio shall also

be structured in a manner to provide diversification within each asset class and be allocated within the ranges specified below:

	<u>Range</u>	<u>Target</u>
Equities	20%-40%	30%
Fixed Income	50%-80%	65%
Cash and Cash Equivalents	0%-20%	<5%

The Trustee and its Sub Advisor is authorized by this policy to make asset allocation decisions to reallocate or redirect either contributions or investments held by the OPEB Trust Fund in order to take advantage of changing market conditions. Any move that will cause the allocation of the investment classes to vary from the above allocation percentages of any asset class requires approval by the City Council.

**The following are prohibited purchases/transactions:**

1. More than 5% of the total equity allocation invested in individual equity securities of any one company at market value
2. More than 5% of the total debt allocation invested in debt instruments in any single issuer with the exception of US Treasuries and agencies
3. Short sales
4. Margin or leveraged purchases
5. Commodities
6. Real estate (with the exception of REITs)
7. Art objects or collectables
8. Options
9. Warrants
10. Derivative investments
11. Oil and Gas Leases
12. Hedge Funds
13. Private Equity Funds
14. Precious Metals
15. Privately negotiated investment agreements with financial institutions
16. Other investments classified as 'alternative'

**5. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS**

Purchases and sales of authorized investments will only be made through financial institutions that are qualified as public depositories by the State of Texas or are "primary dealers" as designated by the Federal Reserve Bank of New York or are

broker/dealers that qualify under Securities and Exchange Commission, or by direct purchases of an approved open-ended mutual fund family.

The Trustee will perform due diligence and maintain information on each broker/dealer, including a process to ensure best execution. The Trustee shall review the performance, financial condition and registration of all qualified counter-parties on an ongoing basis. Results will be provided to the Investment Committee for review upon request.

#### **SAFEKEEPING AND CUSTODY**

All securities purchased by the Trustee or its Sub Advisors shall be properly designated as an asset of the OPEB Trust Fund and held by the Trustee, chartered by the United States Government or the State of Texas, and/or a financial institution approved by the National Association of Security Dealers. No withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the City Council or Trust Administrator.

The City Council or the Trustee will execute third party custodial agreements with banks or financial institutions. Such agreements will include details as to the responsibilities of each party, the costs to be borne by each party, notification of security purchases, sales, delivery, repurchase agreements and wire transfers, safekeeping and transaction costs, and procedures in case of unforeseen circumstances.

#### **6. BID REQUIREMENTS FOR DEBT INSTRUMENTS**

After the Trust Administrator and/or the investment manager has selected one or more optimal types of investments based on maturity date(s) to meet cash flow needs and market conditions, a minimum of three qualified brokers and/or dealers will be contacted and asked to provide bids on the securities to be purchased.

In most situations the competitive bid process shall be utilized, except when securities are purchased as an initial offering. The investment manager will choose the appropriate brokers or dealers from among those on the approved broker/dealer list based on expertise, competitiveness and the ability to execute the transaction and deliver the securities on a timely basis. A minimum of three (3) bids will be obtained.

- A. Bids will be held in confidence until the best bid is determined and awarded,

- B. Documentation will be retained for all bids, with the winning bid clearly identified,
- C. If for any reason the highest bid (on sales of investments) or the lowest bid (on purchases of investments) is not selected, then the reasons leading to that decision will be clearly documented.

## **7. PERFORMANCE MEASURES**

The Investment Committee will meet with the Trustee or its Sub Advisor at least annually to review portfolio performance. The Trustee or its Sub Advisor will review results quarterly to confirm adherence to the policy guidelines; compare the investment results with funds using similar policies and benchmarks; and identify risks and opportunities occurring in the equity and debt markets.

The following events indicate risk to the safety and performance of the Trust. Failure to appropriately address risk may result in termination of the Trustee or its Sub Advisor.

- A. Consistent under-performance of the stated target index for three consecutive quarters.
- B. Material changes in the managers' organization including personnel, ownership, acquisitions or losses of major accounts.
- C. Substantial changes in basic investment philosophy.
- D. Failure to observe any guidelines as stated in this policy.

The City of Fort Worth blended benchmark will be defined as the target portfolio return, based on the following allocation targets:

### **Portfolio Blended Benchmark**

15.50% S&P500 Index  
 3.00% Russell Mid-Cap Index  
 4.50% Russell 2000 Index  
 2.00% MSCI Emerging Market Index  
 4.00% MSCI EAFE Index  
 1.00% Wilshire REIT Index  
 51.00% Bloomberg Barclays Capital US Aggregate Index  
 14.00% ML 1-3 Year US Corp/Gov't  
 5.00% Citi 1Mth T-Bill.

## **IV. INTERNAL CONTROLS**

The Chief Financial Officer/Director of Financial Management Services and Trustee are responsible for mutually establishing and maintaining an internal and

external control structure designed so that assets are reasonably protected from loss, theft, or misuse. Such internal controls shall consist, at a minimum, of the following:

- A. All securities purchased or sold will be transferred only under the “delivery versus payment” (DVP) method to ensure that funds or securities are not released until all criteria relating to the specific transaction are met,
- B. The Trustee is authorized to accept, on behalf of and in the name of the City of Fort Worth OPEB Trust Fund, securities in return for investment of funds,
- C. Securities transaction confirmations shall fully describe the various securities held. The receipt or confirmation shall state that the investment is held in the name of Trustee, or its depository nominee name, for the benefit of the City of Fort Worth OPEB Trust, and
- D. The written system of internal controls and operational procedures shall be subject to review by the City’s internal and external auditors as part of the annual financial audit.

## **V. REPORTING**

Quarterly reports concerning the investment activities, investment portfolio and performance will be submitted to the Investment Committee and placed on the agenda of the City Council. Other information may include recent market conditions, economic developments, and anticipated investment conditions.

## **VII. POLICY REVIEW**

The Fort Worth OPEB Trust Investment Policy shall be reviewed by the Investment Committee and adopted by the City Council at least annually. The adopting resolution shall include any changes made to the Policy. Any modification to the Investment Policy shall be provided to the Trustee and its Sub Advisor and acknowledged in writing via Appendix A.



Policy Adopted:

Date	M&C Reference	Comments
October 10, 2017	G-19127	Policy Adopted
September 11, 2018	G-19362	Policy Approved – No Changes
September 10, 2019	19-0116	Section II. Investment Policy and Objectives, item B updated and Section III. Investment Guidelines added new section “Existing Investments”
September 22, 2020	20-0687	Policy Approved – No Changes
August 24, 2021	21-0594	Section III. Investment Guidelines, item 1. Existing Investments, Quality Section III. Investment Guidelines, item 1. Existing Investments, Duration Section III. Investment Guidelines, item 1. Existing Investments, Diversification, Second paragraph
September 13, 2022	22-0661	Policy Approved – No Changes

## Appendix A

### Trustee, Sub Advisor or Investment Manager's Acknowledgment

I, the undersigned, acknowledge that I have received the investment policy for City of Fort Worth OPEB Trust Fund, dated\_\_\_\_\_. I affirm that I have read and understand said Policy, and do hereby agree to abide to the guidelines expressed in the Policy.

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Name of Trustee

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Signed

Date

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Name of Sub Advisor

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Signed

Date



## I. Authority

The Fort Worth City Council is responsible for legislation, policy formulation, and setting the overall direction of City government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth (the "City"). 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 Financial Management Services Departmente ("FMS"). This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of Financial Management Services-FMS ("CFO").

## II. Purpose

The purpose of this policy is to:

- A. Define practices and provide the guiding principles for grant management, including the application, approval, set up, management, accounting, and reporting of grant activity performed by the City.
- B. Ensure that City personnel seek and apply for federal, state and other grants-in-aid that address the City's current priorities and policy objectives, and administer them in accordance with applicable federal and state laws and regulations, City policies, and contractual obligations.
- C. Establish controls to maintain, and enforce a sound system of operational procedures in accordance with industry best practices and internal control objectives. These controls address the operational nature of the processes associated with grant management.
- D. Require procedures related to the grant management process be in conformance with this policy.

## III. Applicability and Scope

All employees of the City, including uniformed employees, having grant management or accounting responsibilities ~~shall~~ must conduct all related activities in compliance with rules and guidelines set forth by this policy and by their respective departmental grants procedures.



#### IV. Glossary

~~See definitions related to this policy provided in the Glossary for Financial Management Policy Statements.~~ Definitions related to this policy will be incorporated into the Glossary for Financial Management Policies.

Administering Department – The City of Fort Worth Department responsible for applying for and overseeing the activities of a grant-funded program.

Indirect Costs – Expenditures the City will incur for managing the grant program. Any eligible indirect costs shall be calculated and included in each grant application and shall be specified in the Mayor and Council Communication (M&C) seeking approval to proceed with a grant application or award. If a waiver of indirect costs is sought by the Administering Department, such waiver must quantify the estimated amount, explain the reasoning behind the request, and be approved by the Mayor and Council.

#### V. Policy

##### A. Grant Identification, Application, Acceptance

1. Each respective department of the City of Fort Worth may research and identify grant opportunities that facilitate the City's overall goals, mission, and initiatives and provide supplemental or alternative funding sources for either capital expenses/expenditures or operating programs.
- ~~2.~~ If grant opportunities are identified, departments are responsible for obtaining approval from the corresponding Assistant City Manager.
- ~~2.~~
3. Potential grant opportunities shall be evaluated for administrative burden and compliance costs prior to application. Where the amount likely to be received does not exceed the cost of applying for and administering the grant, the City should not seek the grant. Where the amount awarded does not exceed the cost of administering the grant, the City should not accept the grant.
4. Prior to application, the Administering Department ~~must~~ shall:
  - a. Complete an agenda item on a regularly scheduled City Council meeting wherein approval to apply and accept, if awarded, the grant is requested,
  - b. The M&C requesting application and acceptance approval, ~~shall~~ including the following components:
    - a. Name of grant,



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- ~~a.b.~~ Grantor,
  - ~~b.c.~~ Dollar award of grant along with the identification of required matching funds, including the source of such matching funds,
  - ~~c.d.~~ Overview of the grant program, including how the City will use the funds in support of City goals and priorities,
  - ~~d.e.~~ Required appropriation ordinances and language for the full amount of the grant, including match costs and program income, if any,
  - ~~e.f.~~ Title and salary/fringe information for any and all grant-funded positions, including the percentage of salary funded per position and language defining a transition plan for each position in the event the grant is not awarded or at the end of the grant period,
  - ~~f.g.~~ Dollar value of indirect costs being applied for in the grant, calculated based on the indirect cost study in effect at the time. Where reimbursing the general fund for the indirect cost burden would impact program services, the department should weigh the City's priorities in deciding whether to allocate additional resources to the program from other sources, and
  - ~~g.h.~~ Statements regarding responsibilities for collecting revenue and ensuring that funds are available prior to obligation.
5. The M&C shall be routed through the [FMS](#) Grant Accounting Team ~~of the Financial Management Services Department (FMS)~~ for review prior to being placed on a City Council Agenda for consideration. This is accomplished by checking the "Includes Any Federal, State, Interlocal or Grant Funding" box on the "General" tab of a draft M&C.
  6. After City Council approval, the Administering Department, in coordination with FMS Grant Accounting, ~~shall~~will prepare all documents required in the application process and submit the same to the granting agency.
  - ~~7.~~ Applications ~~shall~~must include a budget for all indirect costs allowable under the grant if a waiver of indirect costs has not been approved by Council.
  - ~~7.8.~~ The Administering Department shall enter basic application information into the Grant Application Repository in the PeopleSoft ERP system (the City's system of record for all financial data) to enable tracking and monitoring of grant application status and subsequent award or denial. – Make sure to communicate out – roundup article?
  - ~~8.9.~~ It is acknowledged that grant application deadlines may not allow for approval by the Mayor and Council prior to being due. In these instances, ratifying Mayor and Council Communications shall be completed utilizing the same process as non-ratifying M&Cs.
  - ~~9.10.~~ Once a grant is awarded, the Administering Department is responsible for



accepting the award and, in concert with the City Attorney's Office, seeing that the corresponding contract is correct and fully executed, including all provisions required under 2 CFR 200 of the Code of Federal Regulations [or the Texas Grant Management Standards](#).

~~10.11.~~ In instances where the City needs to further evaluate whether a grant meets the City's objectives, mission, goals, and initiatives, it is acceptable to submit an [M&C](#) for approval to apply for the grant only. In these instances, a supplemental ~~Mayor and Council Communication~~[M&C](#) is required in order to accept the grant and appropriate funds.

## **B. Grant Set-Up**

1. FMS Grant Accounting will not set up any grant award in PeopleSoft prior to the award of the grant by the granting agency. Upon award of a grant by a granting entity and notification of the grant award from the Administering Department FMS Grant Accounting shall schedule a Grant Kick-Off meeting with the Administering Department. The Grant Kick-Off meeting is to clarify grant management and accounting roles and responsibilities specific to that particular grant, and should be attended by management representatives of the Administering Department and FMS Grant Accounting (and, where applicable, FMS Capital Assets).
2. The Administering Department is then responsible for completing and/or collecting the following documents, with assistance and support from FMS Grant Accounting, and submitting them to FMS Grant Accounting to be entered into PeopleSoft: ~~(the City's system of record for all financial data):~~
  - a. The Grant Information Form (GIF),
  - b. A balanced Grant Project Budget,
  - c. The approved M&C,
  - d. The ~~fully executed~~ award ~~agreement~~[notification from the Grantor](#),
  - e. The funding location (FID) for any required matching expenditures, and
  - f. Any Combo Codes necessary to process expenditures.
3. FMS Grant Accounting is responsible for setting up the award in PeopleSoft, including entry of operating and financial reporting schedules. Grant Accounting shall then provide the Administering Department with the PeopleSoft project (grant) number.
4. The Administering Department and FMS Grant Accounting are responsible for understanding grant conditions, including allowable costs for each grant. This includes personnel expenditures and whether salaries, overtime and/or fringe benefits are allowable. The Administering Department, with the support and assistance of FMS Grant Accounting, is responsible for determining and using



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the appropriate vehicle to ensure personnel charges are distributed to the grant as accurately as possible. This may entail the use of ePARs, tasks groups/task profiles and/or Combo Codes. The Administering Department should ensure that grant-funded personnel understand how to code their time for accurate accounting.

5. The Administering Department, with assistance and support from FMS Grant Accounting, submits any Combo Code requests, which are reviewed by FMS Grant Accounting and set up by FMS Financial Systems Management. Any Task Groups/Task Profiles are submitted through ITSM Self-service at <http://itsm.cfwnet.org>.

5.6. The Administering Department is responsible for providing a copy of the fully executed award agreement or contract to FMS Grant Accounting upon receipt.

### C. Grant Management

1. The Administering Department shall manage awards in accordance with 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Texas Grant Management Standards, applicable State laws and/or regulations, and corresponding contractual agreements. FMS Grant Accounting shall-will provide assistance and serve as a resource for clarification of any questions regarding 2 CFR 200 and/or the Texas Grant Management Standards.
2. If the grant has subrecipients:
  - a. The Administering Department, with assistance and support from FMS Grant Accounting, shall-must perform a risk assessment for each subrecipient before passing along awarded funds, in accordance with 2 Code of Federal Regulations (CFR) §200.331, “Requirements for pass-through entities,” and formulate a risk mitigation plan based on identified risk factors.
  - b. The Administering Department, with assistance and support from FMS Grant Accounting, shall perform subrecipient monitoring in accordance with §200.330, “Subrecipient and Contractor Determinations,” and §200.331, “Requirements for Pass-Through Entities,” and document such monitoring.
3. The Administering Department shall-will monitor contractors to ensure compliance with all contract provisions.
4. All grant-related procurement activities must be conducted in accordance with all applicable City policies and State and federal laws and regulations (e.g.,



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Davis-Bacon Act).

- a. If a capital asset is purchased or created with grant funds, FMS Grant Accounting and FMS Capital Assets should be notified.
  - b. For federal grants, no local purchasing preference can be given.
  - c. For federal grants, cost plus a percentage of cost and percentage of construction cost methods are prohibited.
  - d. The City is responsible for full compliance with the procurement regulations contained in 2 CFR 200 (200.317-200.326).
5. Vendors shall be checked against the list of debarred/suspended vendors on SAM.gov prior to awarding any contract and annually thereafter, at a minimum, and evidence of SAM searches retained.
6. The Administering Department shall ensure supervisor (or supervisor's designee) or the appropriate FMS Grant Accountant reviews all fiscal and program data required to be reported to the granting agency prior to submission, and that documentation is retained to evidence the review, including who performed the review and the review date.
7. The Administering Department shall submit project status reports in accordance with the award agreement, and provide copies of such reports, including evidence of review and approval, to FMS Grant Accounting to be attached in PeopleSoft.
8. Where financial reports—including financial status reports (FSRs), requests for reimbursement (RFRs) or drawdowns, or close-out reports—are filed by the Administering Department, the Administering Department should submit a draft of the submission to FMS Grant Accounting five (5) business days prior to the due date for review and concurrence. Where such financial reports are filed by FMS Grant Accounting, they should be submitted to the Administering Department five (5) business days prior to the due date for review and concurrence.
9. The Administering Department ~~shall~~must create and maintain adequate documentation for all program operations and expenditures (activity reports, invoices, procurement card receipts, purchase orders, receipt documentation, etc.).
10. The Administering Department ~~shall~~must ensure all staff charging worked time to a grant provide general details of grant activities performed in the comment fields of the employee's timecard. This requirement will be in addition to any work- effort documentation required by the Grantor.
11. The Administering Department and FMS Grant Accounting ~~shall~~will create and maintain all pertinent award-related documentation in accordance with §200.333 Retention Requirements for Records and applicable State law as





specified in City records management policies and supply it as requested to authorized grant monitors.

12. FMS Grant Accounting shall ensure awards are accounted for in accordance with 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, [Texas Grant Management Standards](#), [other](#) applicable State regulations, and City policies and procedures.
13. The Administering Department and FMS Grant Accounting ~~shall~~will, at a minimum, review and analyze grant financials monthly. This review ~~will~~must include a process to verify that all costs are allowable and appropriate and that all revenues earned have been recognized.
14. As determined and documented in the Grant Kick-off Meeting, either the Administering Department or FMS Grant Accounting will submit financial reports in accordance with the award agreement.
15. Grant funds shall not be used to purchase gift cards or other cash-equivalent items for distribution to recipients. All disbursements of funds and/or assets shall follow standard City procedures to ensure accountability and compliance.
16. Other roles and responsibilities for the Administering Department:
  - a. Ensure funding is managed according to the terms and conditions of the award,
  - b. Request award extension and/or agreement amendments, if necessary,
  - c. Prepare M&Cs for grant amendments, if necessary,
  - d. Submit budget transfers requests and correcting journal entries to FMS Grant Accounting in a timely manner, and
  - e. Monitor grant terms and conditions for any changes throughout the performance period (with support from FMS Grant Accounting).
17. Other roles and responsibilities for FMS Grant Accounting:
  - a. Ensure that all appropriate grant documentation is attached to PeopleSoft Project Definitions and/or journal or budget entries,
  - b. Maintain all other appropriate grant-related documentation in the City's physical or virtual storage,
  - c. Review grant amendment-related M&Cs for completeness and correctness,
  - d. Serve as point of contact for financial matters and grant questions,
  - e. Attach and maintain copies of operating and financial reports in PeopleSoft, and
  - f. Enter and approve budget transfers.

#### **D. Grant Accounting**

1. All grant-related financial activity must be accounted for in the City's primary



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accounting system of record (PeopleSoft).

2. Direct and indirect costs ~~should~~must be clearly identified and separated.
3. City contributions (matching) and grantor funds ~~should~~must be clearly identified and separated.
4. The Administering Departments and/or FMS Grant Accounting are responsible for submitting all financial reports required by grantor agencies, as determined and documented in the Grant Kick-off Meeting.
5. The Administering Departments and FMS Grant Accounting must ensure that grant budgets set up in PeopleSoft are correct, appropriate, and allowable. FMS Grant Accounting shall review submitted budgets for balance and correctness. Multi-year grants pose special challenges, and, in conjunction with FMS Grant Accounting, Administering Departments should decide how various time periods and activities are to be handled before the grant is initially set up. This should be decided and documented as part of the Grant Kick-off Meeting.
6. The Administering Departments and FMS Grant Accounting must be aware of the particular requirements of reimbursement, advance payment, or fee-for-service grants as they apply to each award.
7. The Administering Departments, with support from FMS Grant Accounting, must be familiar with, comply with, and document compliance with all contractual requirements for applicable grants.
8. FMS Grant Accounting is responsible for reviewing ~~shall review~~ PeopleSoft financials for each grant each month and communicate any issues encountered to appropriate grant staff.
9. Expenditures/Expenses:
  - a. The Administering Departments, in conjunction with the Purchasing Division of the Financial Management Services Department, ~~shall~~must ensure that all grant-related procurement is handled in accordance with Financial Management Policy Statements, City purchasing standard operating procedures (SOPs), and all applicable state and/or federal grant regulations and contractual requirements.
  - b. The Administering Departments are responsible for ensuring that grant-related funds are only obligated/expended when there is budgetary authority to do so.
  - c. The Administering Departments are responsible for monitoring grant budget status to ensure that necessary budget modifications are made before expenditures are needed.
  - d. The Administering Department, with support and assistance from FMS Grant Accounting, is responsible for ensuring that all expenditures are necessary, reasonable, allowable, and appropriately allocated.
  - e. The Administering Departments and FMS are responsible for ensuring



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that all disbursements are correct, and that any required retainage or cash held by other entities is accounted for properly.

10. Revenues:

- a. The Administering Departments must provide FMS Grant Accounting with copies of any request for reimbursement (RFR) or drawdown request each time they are submitted.
- b. FMS Grant Accounting is responsible for making any journal entries to recognize the revenue and create a receivable.
- c. FMS Grant Accounting is responsible for monitoring bank account activity, and, when ACH deposits hit the appropriate bank account, making entries (eRDDs) to reflect the sums received.
- d. FMS Grant Accounting is responsible for reconciling receivables and payments received.

11. Journal Entries:

- a. The Administering Departments are responsible for making all grant-related journal entries corresponding to a particular accounting period (month) no later than the deadline specified in each month's published close schedule. Nothing herein shall prohibit FMS Grant Accounting from identifying entries that need to be made and making them on behalf of departments when necessary to ensure compliance with City policy, grant requirements, or Generally Accepted Accounting Principles (GAAP).
- b. FMS Grant Accounting is responsible for reviewing and posting any such journal entries.
- c. For large journal entries better handled by uploading, the Administering Department ~~shall~~will provide FMS Grant Accounting with the necessary data and back-up, and FMS Grant Accounting will upload, review, and post the journal entries.
- d. FMS Grant Accounting is responsible for City fiscal year-end entries such as accruals, adjusting entries, etc.
- e. At the close of each grant, the Administering Department, with support and assistance from FMS Grant Accounting, is responsible for ensuring that all applicable revenues, expenditures, and transfers are reflected in PeopleSoft.

12. FMS Grant Accounting will serve as the point of contact for the annual Single Audit and coordinate and provide responses to the City's external auditors.

13. FMS Grant Accounting will prepare the annual Schedule of Expenditures of Federal Awards (SEFA) and Schedule of Expenditures of State Awards (SESA), and will coordinate with the City's external auditors to file the results with the Federal Audit Clearinghouse (FAC).

**E. Grant Closeout**

1. After completion of all required performance period activities, the Administering Department and FMS Grant Accounting shall perform grant closeout tasks in accordance with §200.343 Closeout or corresponding State regulations, City policies, and contractual requirements.
2. The Administering Department and FMS Grants Accounting will ensure the PeopleSoft grant project is closed within 60 days of the latter of the end of the grant performance period or liquidation period.
- ~~2.3.~~ The Administering Department and FMS Capital Assets shall ensure property purchased, donated, or constructed in relation with grant funding is accounted for in accordance with §200.310 - §200.316 and §200.329.
- ~~3.4.~~ The Administering Department is responsible for final performance reports required by the terms and conditions of the award and shall provide copies to FMS Grant Accounting for attachment in PeopleSoft.
- ~~4.5.~~ The Administering Department and FMS Grant Accounting are responsible for preparing final financial reports required by the terms and conditions of the award. The Administering Department and FMS Grant Accounting are responsible for collecting and maintaining all appropriate back up documentation for financial reports.
- ~~5.6.~~ The Administering Department ~~shall~~will notify FMS Grant Accounting to close the grant in City's financial system and provide all required closeout documentation:
  - a. Project Closeout Checklist,
  - b. Request to inactivate Combo Codes (where applicable), and
  - c. Request to inactivate or redirect Payroll Task Profiles (where applicable).
- ~~6.7.~~ The Administering Department or FMS Grant Accounting (per the signed Grant Kick-off Checklist) ~~shall~~must ensure final reimbursement request is submitted. FMS Grant Accounting shall verify that final reimbursement has been received.
- ~~7.8.~~ The Administering Department and FMS Grant Accounting ~~shall~~will ensure that all financial activities are recorded, that revenues balance to expenditures, and that revenues and expenditures balance to budget figures.
- ~~8.9.~~ FMS Grant Accounting shall complete the grant-closeout process in PeopleSoft.

**F. Post-Close**

1. The Administering Departments and FMS Grant Accounting are responsible for ensuring that their records are maintained in accordance with applicable City



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policy, State law, and federal regulations.

2. The Administering Departments are responsible for any programmatic reporting required by the grant, regardless of performance period.
3. The Administering Department and FMS Grant Accounting are responsible for responding to and cooperating with auditors, monitors, and other grantor personnel, as well as the City's independent or internal auditors.



# Fiscal Monitoring Policy

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## **I. Authority**

The 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 and Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and the Assistant City Managers by the Chief Financial Officer/ Director of Finance.

## **II. Purpose**

The fiscal monitoring policy is intended to serve as a tool, providing Council, management, and the public with the insight required to address issues impacting the City's financial condition. Furthermore, this policy is intended to describe particular elements or aspects of fiscal monitoring such long-term planning programs within the City and to memorialize this financial practice into a formal policy. The outcome of this policy is to prepare and present regular reports that analyze, evaluate, and forecast the City's financial performance and economic condition.

## **III. Applicability and 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. Policy:**

### **A. Financial Management Reports**

The Department of Financial Management Services shall make available through the City's PeopleSoft Enterprise Resource Planning System a series of on-demand reports that facilitate access to financial data which allows departments to analyze financial performance.

### **B. Status Reports on Capital Projects**

The Department of Financial Management Services shall make available through the City's PeopleSoft Enterprise Resource Planning System a series of on-demand reports that facilitate access to financial

# Fiscal Monitoring Policy

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data which allows departments to analyze financial performance.

## C. Commitment to Long-Term Financial Planning

The LTFP process evaluates known internal and external issues impacting the City's financial condition. Such issues are identified, presented, and mitigated when and where possible. The process begins by identifying critical areas which have, or are expected to have, an impact on the financial condition of the City over the next five years. Once the issues are identified, specific goals and objectives are developed for each structural deficiency. The LTFP is a constantly changing and evolving plan, which will be routinely updated and presented on an ongoing five-year rolling basis. The LTFP will be incorporated into the City's Business Planning Process and presented to the City Council and staff throughout the formulation of the annual financial plan and budget. The LTFP is intended to help the City achieve the following:

1. Ensure the City can attain and maintain financial sustainability;
2. Ensure the City has sufficient long-term information to guide financial decisions;
3. Ensure the City has sufficient resources to provide programs and services for the stakeholders;
4. Ensure potential risks to on-going operations are identified in the long-term financial planning process and communicated on a regular basis;
5. Establish mechanisms to identify early warning indicators; and
6. Identify changes in expenditure/expense or revenue structures needed to deliver services or to meet the goals adopted by the City Council.

## D. Scope of the Plan

1. Time Horizon- The LTFP will forecast revenues, expenses or expenditures (as applicable), and financial position including Reserves for at least five years into the future or longer where specific issues call for a longer time horizon.
2. Comprehensive Analysis- The LTFP will provide meaningful analysis of key trends and conditions, including but not limited to;



## Fiscal Monitoring Policy

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- a. Analysis of the affordability of current services, projects , and obligations:
  - i. An analysis of the City's environment in order to anticipate changes that could impact the City's service and/or financial objectives.
  - ii. Revenue and expense or expenditure projections (as applicable), including the financial sustainability of current service levels over a multi-year period.
  - iii. The affordability of current debt relative to affordability ratios prescribed by City policy and/or State law.
  - iv. The affordability of maintaining and replacing the City's current capital assets.
  - v. The ability to maintain Reserves within the target ranges prescribed by City policy over a multi-year period.
  - vi. The impact of non-current liabilities on the city's financial position.
- b. Analysis of the affordability of anticipated service expansions or investments in new assets:
  - i. The operating costs of any new initiatives, projects, or expansion of services where funding has been identified through alternative sources (CIP, grants, debt issuance, etc.) or adopted or approved by the City Council through other actions. Service delivery of administrative services and functions shall be included to the extent needed proportionately with the expansion of other services.
  - ii. The affordability of the City's long-term CIP, including operating and maintenance costs for new assets.
  - iii. The affordability of other master plans that call for significant financial investment by the City.



## Fiscal Monitoring Policy

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- c. Synthesis of the above to present the City's financial position:
  - i. A clear presentation of the resources needed to accomplish the capital improvements identified in the City's CIP and to maintain the existing capital assets.
  - ii. A clear presentation of the resources needed to maintain services at their present level in addition to the expansion of services as may have been identified through the analysis described above.
  - iii. Identification of imbalances between the City's current direction and the conditions needed for continued financial health.
- 3. Solution-Oriented- The LTFP will identify issues that may challenge the continued financial health of the City, and the plan will identify possible solutions to those challenges. Planning decisions shall be made primarily from a long-term perspective and structural balance is the goal of the planning process. For the purpose of this policy, structural balance means that annual revenues equal expenses / expenditures and year end reserves meet the minimum levels prescribed by City Reserves policies.
- E. Continuous Improvement- City staff will regularly look for and implement opportunities to improve the quality of the forecasting, analysis, and strategy development that is part of the planning process. These improvements will primarily be identified through the comparison of projected performance with actual results.
- F. Structural Balance- A Long-term structural balance is the goal from long-term financial planning. Should the long-term forecasting and analysis show that the City is not structurally balanced over the five-year projection period, staff would make recommendations during the annual budget process, on how the plan can be brought into alignment.
- G. Non-Current Liabilities- The LTFP will address strategies for ensuring that the City's long-term liabilities remain affordable. The City Council supports efforts to ensure that critical long-term liabilities like debt service, asset maintenance, pensions, and other post-employment benefits remain affordable.



# Accounting, Auditing, and Financial Reporting Policy

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## 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 (“City”). The City Manager ~~and Assistant City Managers are~~ 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~~ Financial Management Services Department (“FMS”). This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of FMS (“CFO”) ~~and the Assistant City Managers by the Chief Financial Officer / Director of Finance.~~

## II. Purpose:

This policy is intended to establish guidelines to manage and direct the City’s accounting, auditing, and financial reporting activities. Specifically, under this policy, the City shall comply with prevailing federal, state, and local statutes and regulations, as well as current professional standards, principles, and practices.

## 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~~ Glossary for Financial Management Policy Statements.

## V. Policy:

### 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 Comprehensive Financial Report (CACFR) in conformity with GAAP, the City may supplement its CACFR 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.

# Accounting, Auditing, and Financial Reporting Policy

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## C. Selection of Auditors

Every five years, the City shall request proposals from 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 Comprehensive Financial Report and Single Audit Report and reporting the results and recommendations to the Council.

## A. Audit Completion

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

## B. Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) established the Certificate of Achievement for Excellence in Financial Reporting (CACFR program) to encourage state and local governments to go beyond the minimum requirements of generally accepted accounting principles by preparing comprehensive annual financial reports that evidence the spirit of transparency and full disclosure. The City will participate in the program yearly by submitting it's CACFR for review and implement recommended changes, as appropriate.



## **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 and Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and Assistant City Managers by the Chief Financial Officer / Director of Finance.

## **II. Purpose:**

This policy is intended to establish guidelines to ensure that the Employees' Retirement Fund is adequately funded and operated for the exclusive benefit of the participants.

## **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:**

Retirement System:

### **1. Benefit Improvements and Reductions**

The City will complete an actuarial impact study of any proposed benefit improvements or reductions, including changes in contribution levels before they are implemented.

### **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**

The City shall progressively 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.

### Health Care Trust:

#### 4. Benefit Improvements

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

#### 5. 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.



# Internal Controls

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## **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 and Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and Assistant City Managers by the Chief Financial Officer / Director of Finance.

## **II. Purpose:**

This policy is intended to establish guidelines to 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.

## **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. 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.



## Internal Controls

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### 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.

# E-Commerce Policy

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## **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 and Assistant City Managers are 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 Financial Management Services. This policy shall be administered on behalf of the City Manager and Assistant City Managers by the Chief Financial Officer / Director of Finance.

## **II. Purpose:**

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.



# Donations Policy

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## I. **Authority**

The Fort Worth City Council is responsible for legislation, policy formulation, and ~~setting the~~ 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 (“City”). The City Manager ~~and Assistant City Managers are~~ 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~~ Financial Management Services ~~Department~~ (“FMS”). This policy shall be administered on behalf of the City Manager ~~and Assistant City Managers~~ by the Chief Financial Officer/-Director of ~~FMS~~ ~~Finance~~ (“CFO”).

## II. **Purpose:**

This policy is intended to provide guidelines for accepting gifts and donations in a responsible, transparent, and accountable manner that is consistent with the City’s strategic goals. Donations of every type are offered to the City of Fort Worth (“City”) for general or specific purposes. Uniform criteria and procedures guide the review and acceptance of such donations, confirm that the City has relevant and adequate resources to administer such donations, and ensure that the City appropriately acknowledges the generosity of the donor.

## 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**

### Definitions (to be incorporated into the glossary)

Beneficiary Department Head: shall mean the Director of the City department, or his/her designee, for which a donation is designated or intended. The ~~CFO~~ ~~Chief Financial Officer/-Director of Finance~~ shall act as the Beneficiary Department Head if no department is designated or intended.

Donation or Gift: shall mean a monetary (cash) contribution, endowment, personal property, real property, financial securities, equipment, in-kind goods or services, or any other asset that the City has accepted and for which the donor has not received any goods, services, or any other form of tangible compensation in return. For purposes of this policy, “donation” or “gift” shall be synonymous.

Donor: shall mean a person or other legal entity that proposes or provides a donation or gift to the City.



## Donations Policy

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Endowment: shall mean donations that are restricted to the extent that only earnings and not principal may be used for a particular purpose, City department, or location.

Restricted Donation: shall mean donations or gifts designated [in writing](#) by the donor for a specific or particular City department, location, or purpose. [It shall also mean donations or gifts received for specific programs or activities established by the City.](#) The receiving department shall have the responsibility to ensure the restrictions placed upon the donation are fulfilled. ~~[Funds remaining at the conclusion of the project and/or activity shall be available for use by the department for purposes similar to the original restriction.](#)~~

Unrestricted Donation: shall mean a donation to the City without any limitations being placed upon its use. [Unrestricted donations shall be recorded in the General Fund.](#)

[See definitions related to this policy provided in the Glossary for Financial Management Policy Statements Policies for other defined terms.](#)

### V. **Policy:**

#### Specific Objectives

1. To establish and guide relationships with donors who share the City's commitment to provide a high quality civic environment;
2. To enrich our community by responsibly and efficiently managing donations; and
3. To generate revenue to fund new and existing facilities, projects, programs, and activities for the benefit of the residents of the City.

#### General Principles

1. This Policy is intended to guide the manner in which City staff accepts donations or gifts on behalf of the City.
2. Donations do not become the property of the City until accepted by the City consistent with this Policy.
3. Only City officials authorized by this Council Policy may accept donations.
4. The City has no obligation to accept any donation proposed by a donor.
5. All donations will be evaluated by the City prior to acceptance to determine whether the donation is in the City's best interest and is consistent with the applicable City laws, policies, ordinances, and resolutions.
6. The City does not provide legal, accounting, tax or other such advice to donors. Each



## Donations Policy

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donor is ultimately responsible for ensuring the donor's proposed donation meets and furthers the donor's charitable, financial, and estate planning goals. As such, each donor is encouraged to meet with a professional advisor before making any donation to the City.

7. The City must determine whether an expenditure of City funds, either a direct outlay of City funds or the use of City staff and/or materials, is associated or required with the acceptance of the donation prior to acceptance.
8. The donation must be used for official City business.
9. A donor may restrict a donation for a particular City department, location, or purpose, but not designate the City official who may use the donation.

~~10. After all obligations associated with donation restrictions have been met, the City shall have the ability to use any remaining funds for purposes similar in nature to the restriction.~~

~~11.10.~~ The Beneficiary Department Head is responsible for acknowledging receipt of and

thanking, on behalf of the City, all donors.

~~12.11.~~ The City shall comply with all applicable laws and regulations of the Internal Revenue Service regarding the acceptance of donations.

~~13.12.~~ Donations or gifts received or accepted by the Mayor, City Council Members, or appointed officials from representatives of foreign or domestic governments, business leaders, Sister Cities and their affiliates, or other parties intending to express appreciation or foster diplomatic exchange and goodwill and/or symbolize a significant event or relationship with the City shall be exempt from this policy.

### Policy

#### Types of donations

Donations or gifts may be received in the form of cash, financial securities, or real or personal property. Donations may be Restricted or Unrestricted.

The procedure for accepting donations or gifts shall be as follows:

- Cash donations shall be accepted as follows:
  - Amounts equal to or less than \$5,000.00 may be received by each Department Director and shall be deposited by the participating department into the Special Donations Fund;



## Donations Policy

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- Amounts equal to or less than \$100,000.00 may be received by each Assistant City Manager and shall be deposited by the participating department into the Special Donations Fund;
- Amounts greater than \$100,000.00 must be accepted by the Mayor and City Council through an agenda item considered at a regularly scheduled City Council meeting.
- Any and all non-cash donations resulting in a capital asset as outlined within the City's Capital Asset Policy shall be accepted through an agenda item adopted by the Mayor and Council at a regularly scheduled City Council meeting.
- Donations of non-cash items not meeting the capitalization thresholds within the City's Capital Asset Policy shall be accepted under the same terms and thresholds identified above for cash donations.
- Any donations requiring the City to sign an agreement for acceptance should be reviewed by the participating department head and the City Attorney's Office prior to execution.
- Donations ~~of from~~ Trust and Perpetuity Funds: Donations ~~of from~~ trust and perpetuity funds shall be administered by ~~the Department of Financial Management Services on behalf of~~ the receiving department pursuant to the terms of the donation placed upon the trust by the donor.
- Donations of Publicly Traded Equity and Debt Securities: Once accepted and received by the City, the Department of Financial Management Services will immediately liquidate the donation of a publicly traded equity or debt security. Sale proceeds will then be made available to the receiving department.
- Donations of Cash and Real Goods: Donations of cash and real goods may be accepted upon completion of the following processes:
  1. The Beneficiary Department Head shall evaluate whether the donation:
    - a. Is in the City's best interest and is consistent with applicable City laws, policies, and resolutions;
    - b. Has any special restrictions and if so, if those restrictions are acceptable to the City;
    - c. Obligates the City to make an immediate or initial City expenditure which has not been included in the approved budget for the appropriate fiscal year; and
    - d. Creates a new, one-time or an on-going general maintenance obligation of the City.
  2. The City will maintain one Governmental Special Donations Fund to record governmental fund related donations activities. Proprietary fund related donations activities shall be recorded in the primary operating fund of the Department.



## Donations Policy

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- ~~2. The City will maintain the following fund structure on the general ledger:
  - ~~a. One special donation fund will be maintained for each type of fund:
    - ~~i. Governmental Special Donations Fund~~
    - ~~ii. Proprietary Special Donations Fund~~~~~~
- ~~3. The Governmental Special Donations Fund will be treated as a special revenue project fund. The Department shall be responsible for requesting appropriation through the annual budgeting process or through an M&C for new donations received.~~

~~The funds will be treated as operating funds, i.e. annual budgeted funds and have a commitment control ledger applied consistent with other operating funds.~~

- ~~3. The funds will be administered under the following appropriation structure:~~

- ~~• Each year in the annual budget ordinance, appropriations will be made to a programmable account. This appropriation will be intended to be in an amount sufficient to cover the donations anticipated for the upcoming year.~~
- ~~• When an actual donation is received, funds from the programmable account will be moved to a specific account for use by the receiving department. When this occurs, the actual revenue will be recorded against the project and the department is then free to spend funds for the intended purpose of the donation.~~
- ~~• As the special donations funds will be annual operating funds, delegated authority within the annual appropriation ordinance will exist to re-establish the budget from year to year until the donation is spent. Appropriations that are completed under the delegated authority provisions will be reconciled on an annual basis.~~

- ~~4. Restricted Donations that are not expended at the conclusion of the project and/or activity shall be transferred to the General Fund for the general use of the City.~~
- ~~5. Restricted donations that do not meet the requirements of a Special Revenue Fund shall be reported in the beneficiary Department's primary fund or the General Fund~~
- ~~6. Unrestricted Donations do not meet the requirements of a Special Revenue Fund and therefore should not be reported in the Donations Fund, which is a Special Revenue Fund. Unrestricted Donations shall be reported in the beneficiary Department's primary fund or the General Fund.~~

7. Any donations remaining unencumbered and unspent three (3) years after acceptance will be removed from the donation fund and deposited to the department's operating fund (General Fund or respective annual operating fund)
- Donations of real property: Donations of real property may be accepted upon completion of the following process:
    1. The receiving department shall work with the Property Management Department to determine the approximate value of the donation and to ensure that the donation is



## Donations Policy

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in the City's best interest. Acceptance shall be consistent with applicable City laws, policies, ordinances, and resolutions.

2. When seeking City Council approval for a donation of real property, the associated agenda item shall report:
  - a. The appraised value of the donation;
  - b. Any expenditures or maintenance obligations for the City associated with the short-term and long-term ownership of the donation;
  - c. Potential liabilities associated with the donation, such as hazardous conditions or environmental concerns;
  - d. Whether the donation has any special restrictions, and if so, if those restrictions are acceptable to the City; and
  - e. Any recommendations for conditions of acceptance.
- Any and all Restricted Donations received by the City shall be accompanied by a document indicating the nature and purpose of the restriction.

### **VI. Exclusions**

This policy is not intended to govern donations made to the City under the following programs:

- a. Water / Garbage Fee Assistance and Plumbing Repair Programs
- b. Developer Contributions of Infrastructure under a Community Facilities Agreement, Development Agreement, Platting Process, or Annexation
- c. City Ethics Policy with respect to food and meals

Receipts for these programs will be administered by the documents governing their existence.



# Lease Policy

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## I. Authority

The Fort Worth City Council is responsible for legislation, policy formulation, and setting ~~overall~~the overall direction ~~of setting of the~~ government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth (“City”). The City Manager ~~and the Assistant City Managers are 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 Financial Management Services Department (“FMS”). This policy shall be administered on behalf of the City Manager ~~and the Assistant City Managers~~ by the Chief Financial Officer/Director of ~~Finance~~ FMS (“CFO”).

## II. Purpose

This policy defines and provides the guiding principles with respect to the financial management of leases and subscription-based ~~i~~Information ~~t~~Technology arrangements ~~agreements~~ (“SBITAs”) for the City of Fort Worth (“City”). The objectives of this policy are to ensure consistent lease practices in accordance with Generally Accepted Accounting Principles (“GAAP”) and applicable regulatory agencies in the setting up and reporting of ~~I~~Leases meeting the Governmental Accounting Standards Board (“GASB”) requirements ~~standards~~. Controls are created to establish, maintain, and enforce a sound system of operational procedures and internal control objectives. These controls address the decentralized nature of the processes associated with leases and SBITAs while also providing standards and acceptable controls for these activities.

## III. Applicability and Scope

All employees of the City, including uniformed employees in positions who are responsible for performing fiscal operations described herein, shall apply the principles of this policy. This may include, but not be limited to, staff who enters into a lease and/or SBITA, receives right to use assets and monitor use. Further, this policy shall cover all funds and right of use assets under the fiscal control of the City Manager, ~~and the~~ Mayor and City Council.

## IV. Glossary

See definitions related to this policy provided in the Glossary for Financial Management Policy Statements.

## V. General Information

This policy ~~provides~~ utilizes the ~~following~~ definition of a lease as defined under GASB Statement 87, ~~is as a~~ contract or agreement which conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract/agreement for a period of time in an amount equivalent to the value of the asset. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any agreement that meets this definition will be accounted for under the lease guidance, unless specifically excluded.

Under GASB 96, a SBITA is a contract or agreement which conveys control of the right to use ~~another~~ another party’s IT software alone, or in combination with tangible capital assets (underlying IT assets), as specified in the contract/agreement for a period of time in an exchange or exchange-like transaction. For an amount equivalent to the value of the asset. Any agreement that meets this definition will be accounted for under the lease guidance, unless specifically excluded.



## Lease Policy

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### **Lessee Accounting**

A lessee will recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability will be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset will be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee will reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee will amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements will include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

### **Lessor Accounting**

A lessor will recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor will not derecognize the asset underlying the lease. The lease receivable will be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources will be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor will recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements will include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

### **Regulated Leases**

A regulated lease is one in which external laws, regulations, or legal rulings establish ALL of the following:

- Lease rates cannot exceed a reasonable amount (reasonableness subject to determination by an external regulator)
- Lease rates will be similar for lessees that are similarly situated
- Lessor cannot deny potential lessees right to enter into leases if facilities are available (lessee's use of the facilities has to comply with generally applicable use restrictions).

Federal Aviation Administration guidance distinguishes aeronautical use from nonaeronautical use as follows:

- Aeronautical use: "... any activity that involves, makes possible, is required for the safety of, or is otherwise directly related to the operation of aircraft. Aeronautical use includes services provided by air carriers related directly and substantially to the movement of passengers, baggage, mail and cargo on the airport. Persons, whether individuals or

## Lease Policy

businesses, engaged in aeronautical uses involving the operation of aircraft, or providing flight support directly related to the operation of aircraft, are considered to be aeronautical users.”

- Nonaeronautical use: Any activities not associated with the direct transport of passengers or cargo. Such activities generally involve the operation of facilities that do not need to be located at an airport, including airline headquarters and reservation centers; flight kitchens; hotels; public parking, and rental car operations. ~~Example—Investment Asset Lease.~~

### **Software Based Information Technology AgreementsArrangements**

The SBITAs have a subscription term which would include the period during which the City has a noncancelable right to use the underlying IT assets and would include periods covered by an option to extend (if it is reasonably certain the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain the government or SBITA vendor will not exercise that option). At the subscription’s commencement, the City will assess all relevant factors to determine the likelihood of exercise options, whether contract-based, asset-based, market based, or government-specific. The following factors will be considered in evaluating the likelihood of option exercise:

- A significant economic incentive, such as favorable contractual terms and conditions for the optional periods compared with the current market
- A potential change in technological development that significantly affects the technology used by the IT asset
- A potential significant change in the government’s demand for the SBITA vendors’ IT assets
- A significant economic disincentive, such as costs to terminate the SBITA and sign a new SBITA, i.e., negotiation costs, costs of identifying another suitable IT asset or another suitable SBITA vendor, implementation costs. or a substantial cancellation penalty
- Option exercise history
- The extent to which the SBITA’s IT assets are essential to the provision of government services

A rolling month-to-month SBITA—or a SBITA that continues into a holdover period until a new contract is signed—would not be enforceable if both the government and the SBITA vendor have an option to terminate and either could cancel the SBITA at any time. Provisions that allow for termination of a SBITA as a result of either payment of all sums due or default on subscription payments are not considered termination options.

A fiscal funding or cancellation clause allows the City to cancel a SBITA—typically on an annual basis—if the government does not appropriate funds for the subscription payments. That type of clause will affect the subscription term only if it is reasonably certain that the clause will be exercised.

## **VI. Responsibility/Authority**

City-wide Department responsibilities:

- Serve as custodians of right of use assets that are assigned to their departments

## Lease Policy

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- Ensure full departmental compliance with the established lease policy in order to maintain adequate records of the City's right of use assets
- Each department head must appoint a department designee that has knowledge and experience in lease contracts. Department designee responsibilities include but are not limited to:
  - Identifying potential new leases
  - Notify FMS of any change or cancellation to a lease
  - Marking the Mayor and Council Communication (M&C) as a potential lease
  - Including the Finance Lease Coordinator in the collaboration of the M&C
  - Having the Purchasing module designate the contract as a lease
  - Emailing the Finance Lease Coordinator providing all information needed to determine eligibility and when none of the above would apply

### FMS responsibilities:

- The Finance Lease Coordinator, Financial Management Services Manager and Assistant Finance Director over Accounting shall ensure that all leases entered into by the City are properly identified, recorded and reconciled in the Leasing software, PeopleSoft Asset Management, Purchasing, and General Ledger modules monthly.
  - Maintain a master lease spreadsheet to determine the lease type (short-term, scope exclusion or GASB 87/96).
  - Complete the entry of the lease details in the Leasing software once the lease type is determined to be GASB 87/96 or Regulated leases.
- The Finance Lease Coordinator is responsible for maintaining a current listing of all leased Asset Designees from all City departments.
- The Finance Lease Coordinator must oversee the review of all transactions related to leased assets at least monthly and update the Leasing software, PSAM system, PSGL system as required, upon validation of the transactions or corrections.
- The Finance Lease Coordinator, Financial Management Services Manager and Assistant Finance Director over Accounting are responsible for ensuring that journal entries and monthly amortization expense are properly recorded in the general ledger and changes noted by the department designees are recorded in the PSAM and PSGL system.
- FMS is responsible to provide department representatives with the necessary training in lease asset management to effectively fulfill their duties and responsibilities under this policy.

## VII. Asset Classification

The City categorizes capital assets into the following:

- Land Lease
- Building Lease
- Infrastructure Lease
- Machinery and Equipment Lease
- Vehicle Lease
- Parking
- Airport Hangar
- Intangibles (SBITAs)

# Lease Policy

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## VIII. Capitalization

### Capitalization Thresholds

- Land must be capitalized regardless of the value or cost.
- Buildings must be capitalized regardless of the cost.
- Infrastructure must be capitalized when the useful life is 3 years or greater and the cost is \$100,000 or more for the life of the lease.
- Machinery and Equipment qualifying as a capital asset is defined as a single item with an acquisition cost of \$25,000 or more and has a useful life of 2 years or greater. This includes items designed for off road for the life of the lease.
- Vehicles must be capitalized when the useful life is 4 years or greater, the cost is \$5,000 or greater for the life of the lease and it meets both of the following criteria:
  - Self-propelled
  - Primary use is on public streets and the unit is street legal
- Furniture, fixtures, and equipment (FF&E) will not be capitalized no matter the amount.
- Bulk machinery and equipment per lease contract will be capitalized if the total amount is over \$500,000 for the life of the lease.
- Intangible assets - SBITAs must be capitalized when the term of the agreement is greater than 12 months and the cost is greater than \$100,000 for the agreed term. ~~useful life is 3 years or greater and the cost is \$100,000 or more for the life of the agreement.~~

## IX. Amortization

A leased asset will be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The amortization of the leased asset will be reported as an inflow or outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes.

## X. Initial Measurement

### Lease Liability

For all leases meeting the GASB standards the lessee will record a lease liability. The lease liability will be measured at the present value of future lease payments expected to be made during the lease term and include the following:

- Fixed payments – Payments established at specific amounts in the lease contract for which the lessee is obligated to make
- Variable payments that depend on an index or rate—such as the Consumer Price Index (CPI) or a market interest rate—initially measured using the index or rate as of the lease term's commencement and assumed to stay in effect throughout the lease term
- Variable payments that are fixed in substance
- Amounts that are reasonably certain of being required to be paid by the lessee under residual value guarantees (RVG)
- The exercise price of a purchase option if it is reasonably certain that the lessee will exercise that option
- Payments for penalties for terminating the lease if the lease term reflects the lessee exercising (1) an option to terminate the lease or (2) a fiscal funding or cancellation clause
- Any lease incentives receivable from the lessor

## Lease Policy

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- Any other payments that are reasonably certain of being required based on an assessment of all relevant factors

### **Lease Receivable**

A lessor initially will measure the lease receivable at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Measurement of the lease receivable include the following:

- Fixed payments
- Variable payments that depend on an index or rate, initially measured using the index or rate as of the lease term's commencement
- Variable payments that are fixed in substance
- RVG payments that are fixed in substance
- Any lease incentives payable to the lessee

## **XI. Payments**

- Fixed payments
- Variable payments that depend on an index or rate, initially measured using the index or rate as of the lease term's commencement
- Variable payments that are fixed in substance

### **Lessee**

Fixed rate payment is an unchanging rate charged on a liability, such as a loan or mortgage and receivable, such as a rent from a property owned. It might apply during the entire term of the loan or for just part of the term, but it remains the same throughout a set period.

Variable payment depends on the lessee's future performance or usage of the underlying asset do not have a baseline measurement at lease term commencement and are excluded from the initial liability, e.g., copier lease payments contingent on copier usage or rental car payments dependent on miles incurred. However, any minimum guarantee amounts or other portions of variable payments that are fixed in substance, i.e., they can be readily measured, are to be included in the lease liability.

### **Lessor**

Fixed rate payment will record a lease receivable and recognize inflows of resources, e.g., revenue, at the time a not-fixed-in-substance RVG's guarantee payment is required—as agreed to by the lessee and lessor—and the amount can be reasonably estimated. Amounts to be received for the exercise price of a purchase option or penalty for lease termination will be recognized as a receivable and an inflow of resources, e.g., revenue, when those options are exercised.

Variable payments will be recognized as inflows of resources, e.g., revenue, in the period to which those payments relate. Examples include variable payments based on a percentage of airport terminal restaurant sales or vendor stall sales at government-owned sports stadiums.

## **XII. Discount Rate**

The discount rate is applied to all leases that meet the GASB standards set out in this policy. As the Lessee, the discount rate is established by using the interest rate at which time the transaction is made which may be the rate implicit in the lease contract. Consistent with current guidance, if the lease's implicit interest rate is not readily determinable within the contract, the City's estimated incremental borrowing rate will be used. Determining the incremental borrowing rate entails

## Lease Policy

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estimating the interest rate the Lessee would be charged for borrowing the lease payment amounts during the lease term.

As the Lessor, the discount rate will be determined by the interest rate that is charged to the lessee—including implicit rates—and will use this rate to discount the future lease payments. If the contract does not include a stated interest rate, a calculation, of the implicit interest rate, will need to be performed. The City will need a market value for the related property. A valuation specialist might be needed to apply a cost, income or market approach—or some combination of these approaches—to arrive at a lease’s supportable implicit rate.

The discount rate will only be updated—and receivable or payable remeasured—if there is a change in the lease term or interest rate the lessor charges the lessee, provided the changes individually or in the aggregate are expected to significantly affect the lease receivable or payable amount. At that time, the receivable or payable will be remeasured using the revised rate. The deferred inflow and outflows of resources balance generally will be adjusted by the same amount as any changes resulting from remeasurement of the lease receivable or payable.

### **XIII. Remeasurement/Modification**

The lease liability/receivable will be remeasured at subsequent reporting dates if one or more of the following occurs, presuming the changes individually or in the aggregate are expected to significantly affect the lease liability/receivable since the last measurement:

- The lease term changes
- Based on an assessment of all relevant factors, the likelihood of a residual value guarantees being paid or purchase option being executed changes from “reasonably certain” to “not reasonably certain” or vice versa
- The estimated remaining payments change from the amount included in the lease liability/receivable measurement
- The rate the lessor charges the lessee changes, if used as the initial discount rate
- Remeasurement is required when a contingency—upon which some or all of the variable payments expected to be made over the lease term’s remainder are based—is resolved such that those payments meet the criteria for inclusion in the lease liability/receivable, i.e., an event occurs causing variable payments contingent on the underlying asset’s performance or use has occurred, causing the payments to become fixed or fixed in substance

If remeasurement is triggered, the liability/receivable also must be adjusted for changes to the index or rate used to determine variable payments, if the change is expected to significantly affect the previous measurement’s liability/receivable amount. Changes in an index or rate used to measure variable payments do not—in and of themselves—require liability/receivable reassessment. The lessee is not required to remeasure the lease liability/receivable or reassess the discount rate solely because of changes in its incremental borrowing rate.

Lessees will adjust the lease asset by the same amount as the corresponding lease liability, except if the lease asset’s carrying value is reduced to zero. If this occurs, any remaining amount will be reported in the resource flows statement as a gain.

For additional information or questions concerning this policy, please contact the FMS GASB 87/96 Core Team at (817) 392-2455 or email [zz\\_Fin\\_GASB\\_Core team@fortworthtexas.gov](mailto:zz_Fin_GASB_Core team@fortworthtexas.gov).





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- 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 1<sup>st</sup> 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. Approving Official - Supervisors or above granted with approval authority by the Department Director.
- d. Auction Master Template – A form used by City departments to identify assets that will be disposed.
- ~~b~~e. Beneficiary Department Head - The Director of the City department, or his/her designee, for which a donation is designated or intended. The CFO shall act as the Beneficiary Department Head if no department is designated or intended
- ~~e~~f. 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~~g. 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~~h. Capital Projects Fund – A governmental fund established to account for resources used for the acquisition of large capital improvements and non-recurring expense other than those acquisitions accounted for in proprietary or trust funds.
- ~~f~~i. 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.
- ~~e~~j. Days Cash on Hand – A measure of cash saved that is not earmarked or designated

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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.k. 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.l. 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.m. 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.n. 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).

o. 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.

p. Donation or Gift: A monetary (cash) contribution, endowment, personal property, real property, financial securities, equipment, in-kind goods or services, or any other asset that the City has accepted and for which the donor has not received any goods, services, or any other form of tangible compensation in return. For purposes of this policy, "donation" or "gift" shall be synonymous.

q. Donor - A person or other legal entity that proposes or provides a donation or gift to the City.

r. Endowment - Donations that are restricted to the extent that only earnings and not principal may be used for a particular purpose, City department, or location.





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

m.t. 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).

u. 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).

v. FID - Funding Identifier used for funding control for financial and budget purposes.

n.w. Fiduciary Fund - A fund that accounts for resources that governments hold in trust for other entities.

o.x. 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, and 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.

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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.

~~p~~-y. 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.

~~q~~-z. 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.

~~r~~-aa. Incurred but not Reported Claims - Claims/and or events that have transpired, but have not yet been reported.

~~s~~-bb. 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.

~~t~~-cc. 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.

~~u~~-dd. 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 30<sup>th</sup>, and paid on May 1<sup>st</sup> would not be recorded as revenue until payment is received on May 1<sup>st</sup>.

~~ee~~. 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.

~~ff~~. Non-Capital Asset - Assets with an acquisition cost of 25K or less per unit. Examples include tables, chairs, file cabinets, library books, and miscellaneous equipment.

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



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w.hh. 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.

\*.ii. 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.

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

z.kk. 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.

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

mm. 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).

nn. Purchasing Department Coordinator - FMS Purchasing Division designee responsible for validation of the sale of assets and wire transfers.

oo. Reasonable Cause - Reason(s) to qualify for penalty relief determined on a case by case basis considering all the facts and circumstances.

bb.pp. Reserve (Governmental Funds) - Reserve refers only to the portion of Fund



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Balance that is intended to provide stability and respond to unplanned events or opportunities. See associated Reserve Policy for specific details.

~~qq.~~ 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.

~~ee.rr.~~ Restricted Donation - Donations or gifts designated in writing by the donor for a specific or particular City department, location, or purpose. It shall also mean donations or gifts received for specific programs or activities established by the City. The receiving department shall have the responsibility to ensure the restrictions placed upon the donation are fulfilled.

~~ss.~~ 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.

~~tt.~~ Sponsorship - When the City decides to donate cash to an event or program hosted by a third party.

~~dd.uu.~~ Unrestricted Donation - A donation to the City without any limitations being placed upon its use. Unrestricted donations shall be recorded in the General Fund.

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

~~ff.wv.~~ 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.

~~gg.a.~~ ~~Non Capital Asset - Assets with an acquisition cost of 25K or less per unit. Examples include tables, chairs, file cabinets, library books, and miscellaneous equipment.~~

~~hh.xx.~~ ~~Auction Master Template - A form used by City departments to identify assets that will be disposed.~~

~~ii.yy.~~ ~~Purchasing Department Coordinator - FMS Purchasing Division designee responsible for validation of the sale of assets and wire transfers.~~



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~~jj:zz. FID—Funding Identifier used for funding control for financial and budget purposes.~~