

Financial Management Policies

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

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 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 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.

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 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.

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 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

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

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.
6. 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. In the event investment regulations prohibit the

intended growth and expansion of the Trust, a provision for dissolution of the Trust will be incorporated into the initial Trust instrument. Dissolution of the Trust will first require a determination and recommendation of the corporate trustee and the Chief Financial Officer/ Director of Finance.

7. 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:

- 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 dollar (\$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:

- 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.

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 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;
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.

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 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 (“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 Policies.

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 information about the nature of the revenue receipting activities and the name and position title 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.
- E. All revenue receipted should be accurately recorded into the City’s software systems real-time when such systems are available, but no less than within twenty-four (24) hours of receipt all payments should be recorded within the general ledger. Management review and approval of such recordings shall be completed within forty-eight (48) hours 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.

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

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

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.
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.
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.
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.
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.

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

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 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 take the first available cash handling course upon obtaining the cash receipting responsibility. Employees performing payment receipting activities are required to complete an update 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 notifying FMS, when a new or transferred employee becomes responsible of 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 have completed the City's Cash Handling training at least annually.

The FMS Department is responsible for providing all training related to Cash Handling and payment processing and in conjunction with the Budget and Performance Management Office ("PMO"), will notify the operational departments when their employee(s) are due for their annual training. Notwithstanding, the operational department(s) retain ultimate responsibility for ensuring all employees attend and successfully complete the training outlined herein.

The Budget and Performance Management Office maintains employee training records. Each time an employee completes a training course, Budget and Performance

Management Office will add the completion information to the employee's training transcript. Reports and/or copies of transcripts are provided by the Budget and Performance Management Office to all employees upon request.

X. Receipt of Payments

A. Cash

1. The cash 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 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.
3. When accepting a check for amounts due to the City, the cash custodian shall capture the following payer's information and note same at the top of the check:
 - (1) Driver's license number
 - (2) Physical home address
 - (3) Valid Telephone number
4. No temporary, post-dated, or third party checks are to be accepted by the City.

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 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.

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 Revenue Office, 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.
- 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.

XIV. Liability for Loss

Departments performing payment receipting activities retain the ultimate liability for misappropriation and loss or theft of payment until such time as the custody of cash is transferred to the Armored Car service or the FMS department for deposit pick up staging.

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

The Revenue Office of FMS 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 Revenue Office 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 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.

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

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 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.

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.

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.

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 (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.

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:**

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/expenses. In addition, this policy is intended to document the appropriate Reserve level to protect the City's credit worthiness and provide adequate cash flow based upon the traditional operating cycle. Capital Project Fund Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities and to minimize the costs associated with short-term cash borrowing.

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

III. **Applicability and Scope:**

This policy shall apply to the Capital Projects Funds under the budgetary and fiscal control of the City Manager and the City Council. This policy applies to governmental and proprietary fund types.

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

V. **Related Documents and References:**

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

VI. Policy:

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

VII. Monitoring Performance

- A. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final fiscal year-end financial information becomes available. During the course of the fiscal year the Department of Financial Management Services and the Performance and Budget Office shall closely monitor the City's revenues and expenditures/expenses to ensure Reserves are not used beyond any planned usage.
- B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Financial Management Services and the Performance and Budget Office based on the requirements outlined in this policy.
- C. Funding the Reserve – Funding of Reserve targets will generally come from excess revenues over expenditures/expenses or one-time revenues.
- D. Periodic Review of the Targets – At a minimum, during the annual financial planning/budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

VIII. Pooled Cash

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

IX. **Conditions for Use of Reserves**

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

X. **Excess of Reserves**

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

1. Appropriated to lower the amount of bonds or increase the pay-as-you-go contributions needed to fund capital projects in the City's Capital Improvement Plan;
2. To pay for non-routine and one-time expenditures such as land and building purchases, construction and maintenance projects with at least a 10-year life, feasibility, design, and engineering studies related to such projects, capital equipment and vehicles with at least a 10-year life, and technology improvements with at least a 5-year life.

XI. **Authority over Reserves**

The City Council may authorize the use of Reserves. The Department of Financial Management Services and the Performance and Budget Department will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. **Quality Control and Quality Assurance:**

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

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

XIII. **Metrics:**

To be developed and managed accordingly.

XIV. **Records:**

There are no records associated with this policy.

XV. **Process Flow Map:**

Not applicable.

XVI. Forms:
Not Applicable

XVII. Appendices:
Not applicable.

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:**

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 / expenses. In addition, this policy is intended to document the appropriate Reserve level to protect the City's credit worthiness and provide adequate cash flow based upon the traditional operating cycle. Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities and to minimize the costs associated with short-term cash borrowing.

This policy establishes the amounts the City will strive to maintain in its General Fund and Debt Service 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, the General Debt Service Fund, and all other governmental and proprietary Debt Service Funds under the budgetary and fiscal control of the City Manager and the City Council.

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

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

V. **Related Documents and References:**

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

VI. **Policy:**

General Fund

- A. Reserve Levels - The City will maintain a minimum Unassigned Fund Balance in the General Fund equivalent to ten percent (10%) of regular ongoing operating expenditures, with a goal of two months (16.67%) of regular ongoing operating expenditures. Regular ongoing operating expenditures shall not include the portion of funds transferred from the General Fund to the Capital Project Fund to support pay-go capital projects.
- B. Committed Fund Balance - The City Council maintains the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an item placed on the City Council's agenda and approved at a City Council meeting. The action must either approve or rescind, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- C. Assigned Fund Balance - The City Council, through adoption of this policy, have authorized the City Manager or his/her designee and the Chief Financial Officer / Director of Finance to jointly designate or commit assigned fund balances without further City Council approval. It should be noted that this authority only gives the ability to designate future "intended" uses of fund balance that is in excess of nonspendable, restricted, and committed amounts, and the minimum required reserve. It does not vest additional spending authority in the City Manager or his/her designee or Chief Financial Officer / Director of Finance. Subsequent appropriations of fund balance would continue to require City Council approval.

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

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

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

Governmental Debt Service Fund

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

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

Proprietary Debt Service Fund

- E. Reserve Levels - The City will maintain a minimum level of Restricted Net Position in proprietary Debt Service Funds between two (16.67%) to three (25%) months of the highest projected debt service over the succeeding debt service forecast. Amounts used in this calculation shall not include any amounts allocated for other purposes by the City Council.

VII. Monitoring Performance

- F. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final fiscal year-end financial information becomes available. During the course of the fiscal year the Department of Financial Management Services and the Performance and Budget Office shall closely monitor the City's revenues and expenditures / expenses to ensure Reserves are not used beyond any planned usage.
- G. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Financial Management Services and the Performance and Budget Office based on the requirements outlined in this policy.
- H. Funding the Reserve - Funding of Reserve targets will generally come from excess revenues over expenditures / expenses or one-time revenues.

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

VIII. Pooled Cash

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

IX. Conditions for Use of Reserves

General Fund

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

Governmental and Proprietary Debt Service Funds

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

X. Excess of Reserves

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

General Fund

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

you- go contributions needed to fund capital projects in the City's Capital Improvement Plan;

3. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
4. Start-up expenditures for new programs, provided that such action is approved by the City Council and is considered in the context of multi- year projections of revenue and expenditures as prepared by the Department of Finance.

Governmental and Proprietary Debt Service Funds

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

XI. Authority over Reserves

The City Council may authorize the use of Reserves. The Department of Financial Management Services and the Performance and Budget Office will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. Quality Control and Quality Assurance:

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

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

XIII. Metrics:

To be developed and managed accordingly.

XIV. Records:

There are no records associated with this policy.

XV. Process Flow Map:
Not Applicable.

XVI. Forms:
Not Applicable

XVII. Appendices:
Not Applicable.

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:

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

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

III. Applicability and Scope:

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

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

V. Related Documents and References:

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

VI. Policy:

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

1. A goal of a minimum level of Working Capital in Enterprise Funds equivalent to three (25%) months of regular, on-going Operating Expenses (including operating transfers out). This calculation shall not include Non-Recurring Items and shall be performed against the operating fund only.
2. A goal of a minimum level of Working Capital in Enterprise Funds equivalent to three (25%) months of the amount being paid in Debt Service payments for the subsequent fiscal year. This calculation shall be performed against the operating fund only.
3. A minimum 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.
4. 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 respective reporting group.
5. In addition, the City acknowledges that initially, not all funds will meet the minimum requirement for Working Capital and/or Days Cash on Hand outlined in this policy. A fund will be considered compliant with this policy as long as the financial position shows continuous improvement each fiscal year.

VII. Monitoring Performance

- A. For purposes of this calculation, Working Capital will include long-term investments that can be liquidated within five business days. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final fiscal year-end financial information becomes

available. During the course of the fiscal year the Department of Financial Management Services and the Performance and Budget Office shall closely monitor the City's revenues and expenses to ensure Reserves are not used beyond any planned usage.

- B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Financial Management Services and the Performance and Budget Office based on the requirements outlined in this policy.
- C. Funding the Reserve- Funding of Reserve targets will generally come from excess revenues over expenses or one-time revenues.
- D. Periodic Review of the Targets - At a minimum, during the annual financial planning/budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

VIII. Pooled Cash

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

IX. Conditions for Use of Reserves

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

X. Excess of Reserves

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

ways:

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
2. Appropriated to lower the amount of bonds or increase the pay-as-you-go contributions needed to fund capital projects in the City's Capital Improvement Plan;
3. One-time expenses that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
4. Start-up expenses for new programs, provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenses as prepared by the Department of Finance.

XI. Authority over Reserves

The City Council may authorize the use of Reserves. The Department of Financial Management Services and the Performance and Budget Office will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. Quality Control and Quality Assurance:

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

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

XIII. Metrics:

To be developed and managed accordingly.

- XIV. Records:**
There are no records associated with this policy.
- XV. Process Flow Map:**
Not Applicable.
- XVI. Forms:**
Not Applicable.
- XVII. Appendices:**
Not Applicable.

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:

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

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

III. Applicability and Scope:

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

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

V. Related Documents and References:

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

VI. Policy:

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

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

VII. Monitoring Performance

- A. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final year-end account information becomes available. During the course of the fiscal year the Department of Financial Management Services and the Performance and Budget Office shall closely monitor the City's revenues and expenses to ensure Reserves are not used beyond any planned usage.
- B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Financial Management Services and the Performance and Budget Office based on the requirements outlined in this policy.
- C. Funding the Reserve- Funding of internal service insurance funds Reserve targets will generally come from excess revenues over expenses or one-time revenues.
- D. Periodic Review of the Targets - At a minimum, during the annual financial planning/budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

VIII. Pooled Cash

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

IX. **Conditions for Use of Reserves**

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

X. **Excess of Reserves**

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

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
2. One-time expenses that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
3. Start-up expenses for new programs, provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenses as prepared by the Department of Finance.

XI. **Authority over Reserves**

The City Council may authorize the use of Reserves. The Department of Financial Management Services and the Performance and Budget Office will

regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. Quality Control and Quality Assurance:

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

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

XIII. Metrics:

To be developed and managed accordingly.

XIV. Records:

There are no records associated with this policy.

XV. Process Flow Map:

Not Applicable.

XVI. Forms:

Not Applicable.

XVII. Appendices:

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:

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

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

III. Applicability and Scope:

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

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

V. Related Documents and References:

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

VI. Policy:

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

1. A minimum level of Working Capital in Non-Insurance Internal

Service Funds equivalent to three percent (3%) of regular, on-going operating expenses (including transfers out). This calculation does not include non-recurring items and 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.

VII. Monitoring Performance

- A. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final year-end account information becomes available. During the course of the fiscal year the Department of Financial Management Services and the Performance and Budget Office shall closely monitor the City's revenues and expenses to ensure Reserves are not used beyond any planned usage.
- B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Financial Management Services and the Performance and Budget Office based on the requirements outlined in this policy.
- C. Funding the Reserve- Funding of internal service Reserve targets will generally come from excess revenues over expenses or one-time revenues.
- D. Periodic Review of the Targets - At a minimum, during the annual financial planning/budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the City is subject to.

VIII. Pooled Cash

Cash Balance- In order to provide liquidity adequate to meet the needs and demands of providing government services including unanticipated reductions in revenues or unplanned increases in expenses, Cash Balances

will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense. The Reserve is intended to support this effort and counterbalance the tax and major revenue collection cycle.

IX. **Conditions for Use of Reserves**

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

X. **Excess of Reserves**

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

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
2. One-time expenses that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
3. Start-up expenses for new programs, provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenses as prepared by the Department of Finance.

XI. **Authority over Reserves**

The City Council may authorize the use of Reserves. The Department of Financial Management Services and the Performance and Budget Office will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. **Quality Control and Quality Assurance:**

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

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

XIII. **Metrics:**

To be developed and managed accordingly.

XIV. **Records:**

There are no records associated with this policy.

XV. **Process Flow Map:**

Not Applicable.

XVI. **Forms:**

Not Applicable.

XVII. **Appendices:**

Not Applicable.

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:

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

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

III. Applicability and Scope:

This policy shall apply to all Special Revenue Funds under the budgetary and fiscal control of the City Manager and the City Council except the Crime Control and Prevention District Fund.

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

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

V. Related Documents and References:

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

VI. Policy:

Reserve Levels - The City will maintain the following minimum Fund Balance amounts, with Fund Balance for purposes of this policy being the combined total of the Assigned and Restricted Fund Balance classifications:

1. A minimum Fund Balance in Special Revenue Funds equivalent to two months (16.67%) of regular, on-going Operating Expenditures (including operating transfers out). This calculation shall not include Non-Recurring Items.
2. The City acknowledges that initially, not all funds will meet the minimum requirement for Fund Balance outlined in this policy. A fund will be considered compliant with this policy as long as the financial position shows continuous improvement each fiscal year.

VII. Monitoring Performance

- A. The City will measure its compliance with this policy on an annual basis as of September 30th each year or as soon as practical after final fiscal year-end financial information becomes available. During the course of the fiscal year the Department of Financial Management Services and the Performance and Budget Office shall closely monitor the City's revenues and expenditures to ensure Reserves are not used beyond any planned usage.
- B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Financial Management Services and the Performance and Budget Office based on the requirements outlined in this policy.
- C. Funding the Reserve - Funding of Reserve targets will generally come from excess revenues over expenditures or one-time revenues.

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

VIII. Pooled Cash

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

IX. Conditions for Use of Reserves

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

X. Excess of Reserves

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

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget ordinance. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
2. Appropriated to lower the amount of bonds or increase the pay-as- you-go contributions needed to fund capital projects in the City’s Capital Improvement Plan;

3. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
4. Start-up expenditures for new programs, provided that such action is approved by the City Council and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Department of Finance.

XI. Authority over Reserves

The City Council may authorize the use of Reserves. The Department of Financial Management Services and the Performance and Budget Office will regularly report both current and projected Reserve levels to the City Manager and City Council.

XII. Quality Control and Quality Assurance:

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

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

XIII. Metrics:

To be developed and managed accordingly.

XIV. Records:

There are no records associated with this policy.

XV. Process Flow Map:

Not Applicable.

XVI. Forms:

Not Applicable.

XVII. Appendices:

Not Applicable.

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

B. Replacement of Capital Assets on a Regular Schedule

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

C. Capital Expenditure Financing

The City recognizes that there are three basic methods of financing its capital requirements. It can budget the funds from current revenues (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 Infrastructure Fund

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

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.

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 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 (“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 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 Policies.

V. **General Information**

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

The term *capital assets* includes 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 historic cost or, if the cost is not readily determined, at estimated historic 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, including all appropriate ancillary costs, based on vendor invoice or other supporting documentation.
2. Constructed assets – All direct costs (including labor) associated with the construction project should be included in determining the asset valuation.
3. Donated assets – Capital assets acquired by donation should be valued based on the acquisition value at the time of receipt.

VI. **Responsibility / Authority**

City-wide Department responsibilities:

- A. Serve as custodians of capital assets 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.

- C. Each department head must appoint a department designee that has knowledge and experience in capital purchasing and management of project expenditures. Department designee responsibilities include but are not limited to:
- 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
 - Review and update the department's non-financial asset information in the PSAM system
 - Identify capital asset transfers, impairments, and disposals, and provide the Capital Assets Team documentation within thirty (30) days of the occurrence
 - Coordinate the department's review of the current capital asset register and complete the Annual Asset Physical Inventory

FMS responsibilities:

- A. The Capital Asset Supervisor 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 Supervisor is responsible for maintaining a current listing of Capital Asset Designees from all City departments.
- C. The Capital Asset Supervisor 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 Supervisor and Assistant Finance Director over Accounting are responsible for ensuring that journal entries and monthly depreciation expense are properly recorded in the general ledger and changes noted by the department designees are recorded in the PSAM system.

- E. FMS is responsible to provide department representatives with the necessary training 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 any purpose, including but not limited to building sites, streets, right of way, 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; (3) the costs of surveys; and (4) 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
- Appraisal fees

- Cost of title guarantee insurance policies
- Cost of real estate surveys
- 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

Improvements other than buildings (land improvements) is 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) is 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

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. Capitalization of equipment costs 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 licensed software, internally generated software, works of arts and historical treasures. Other examples of intangible assets the City may own include easements, water rights, timber rights, patents and trademarks.

G. Construction Work in Progress

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 an acquisition cost of \$25,000 or more and has a useful life of 2 years or greater.
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:
 - Self-propelled
 - 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.

Nothing in this section is intended to limit the City from capitalizing assets that have values below the thresholds identified above.

B. Contributed or Donated Assets

Contributed or donated assets must be recorded at acquisition value. 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.

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:

- 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.

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 - 40 years
- Infrastructure: 20 - 60 years
- Machinery and Equipment: 2 - 20 years
- Vehicles; 4 – 8 years
- Runways and Taxiways: 20 - 30 years
- Water and Sewer Equipment: 5 - 30 years
- Water and Sewer Infrastructure: 25

- 60 years The following capital assets are not depreciated:

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

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.

When retiring an asset, the Department that had custody of the asset must complete and submit an Asset Retirement Form to the Capital Assets Team. The Asset Retirement Form should be properly approved by the Department with electronic signature and date on the form.

XII. Impairment

The department designee is responsible for determining whether an asset should be classified as 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:

- 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, the department designee should re-evaluate the remaining useful life and salvage value (if any). All impairment decisions should be communicated to the FMS Capital Assets Team by the department designee, and must be reviewed and properly approved by the Department.

XIII. 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.

When a capital improvement project is completed, the Capital Asset Team will transfer the project from Construction Work in Progress (CWIP) to the appropriate asset category in the PSAM system when the asset is put into service.

XIV. Monthly Review

The Department Capital Asset Designee is responsible for reviewing the

departmental Capital Assets recorded in the PSAM system on a monthly basis. The department designee must review the records to identify any missing items, impairments, or retirements, as well as any completed CWIP projects and to communicate any needed changes to the Capital Assets Team.

The Capital Assets Supervisor is responsible for reconciling the balance recorded in the PSAM system to the ending balance of the General Ledger at least monthly.

XV. Physical Inventory

Each department must perform an Annual Asset Physical Inventory. The department designee is responsible for verifying the accuracy of the assets recorded in PSAM based on their physical observation of the department's assets.

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.

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 of 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 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 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, and Certificates of Obligation) beyond what it retires each year. This process shall take into consideration any potential impact to the City's credit ratings, the growth in the City's taxable assessed value, and the targeted debt service tax rate. The process shall also examine the direct costs and benefits of the proposed expenditures. The decision on whether or not to 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.

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 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.

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.

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 taking into account 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

Generally, the City shall issue bonds with an average life of approximately ten and one-half (10.5) years for general obligation bonds and approximately seventeen to eighteen (17-18) years for revenue bonds. The structure should approximate level principal on general obligation bonds and level debt service for revenue bonds. With respect to the issuance of revenue bonds for a stand-alone or self-supporting project, the term of the debt and debt service structure shall be consistent with the useful life of the project and the revenue-generating capability of the project.

There shall be no debt structures, which include increasing debt service levels in subsequent years, with the exception of the first and second year of a payment schedule. There shall be no "balloon" bond repayment schedules, which consist of low annual payments and one large payment of the balance due at the end of the term. There shall always be at least interest paid in the first fiscal year after a bond sale and principal starting generally no later than the second fiscal year after the bond issue. In the case of a revenue generating project, principal repayment should begin no later than the first full year after the project has been

placed in service. Normally, there shall be no capitalized interest included in the debt structure unless there are no historical reserves upon which to draw.

E. Call Provisions

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

F. Sale Process

The City shall use a competitive bidding process in the sale of debt unless the nature of the issue warrants a negotiated sale. The City shall attempt to award the bonds based on a true interest cost (TIC) basis. However, the City may award bonds based on a net interest cost (NIC) basis 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. Rating Agencies Presentations

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

I. Continuing Disclosure

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

J. Debt Refunding

City staff shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the present value savings of a particular refunding should exceed 3.5% of the par amount of the refunded maturities.

K. Interest Earnings

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

L. Lease/Purchase Agreements

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

M. Proposals from Investment Bankers

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

N. 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. 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.

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 obligation bonds, 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 23rd 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

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 (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^{1,2,3}:
- 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 amounts received from investments thereof) must have been spent on the designated projects.

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.

- 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.

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 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:

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.

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.

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, 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.

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 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.

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 Public Funds Investment 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/ Director of Finance

The Chief Financial Officer/Director of Finance 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 dated June 10, 2013. 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 Chief Financial Officer/Director of Finance 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 Chief Financial Officer/Director of Finance 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 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 organization, 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 90 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
Cash, Cash Equivalents, and Fixed Income	29-49%	39%
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		
Equities		27-47%	37%
	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		6.0
	0%		
Real Assets		2-12%	12%
	Global Public REITS		8.00%
	Private Real Estate		2.00%
	Commodities		2.00%
Alternative Investment		2-22%	12%
	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 Chief Financial Officer/Director of Finance 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 Chief Financial Officer/Director of Finance of the loss of rating within two business days of the occurrence and (ii), within four business days of downgrade, notify

the Chief Financial Officer/Director of Finance 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 counter-parties. 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.

XII. REPORTI

NG Monthly

Reporting

No less than monthly, the Trustee will submit a report to the Chief Financial Officer/Director of Finance 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 Chief Financial Officer/Director of Finance 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:

April 16, 2013 (M&C G-17857)

Policy Reviewed and Approved:

July 15, 2014 (M&C G-18244)

May 5, 2015 (M&C G-18466)

September 15, 2015 (M&C 18552)

I. Authority

The Fort Worth City Council is responsible for legislating, formulating policy, 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 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 Manager by the Chief Financial Officer/Director of Finance (“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 conduct all related activities in compliance with rules and guidelines set forth by this policy and by their respective departmental grants procedures.

IV. Glossary

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 – expenses / expenditures the City will incur for managing the grant program. Indirect costs shall be calculated and included in each grant application and shall be specified in the Mayor and Council Communication seeking approval to proceed with a grant application. If a waiver of the indirect costs is sought by the Administering Department, such waiver shall be detailed in the process and 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 to either capital expenses/expenditures or operating programs.
2. If grant opportunities are identified, departments are responsible for obtaining relevant approval from their respective Assistant City Manager.
3. Grant opportunities shall be evaluated for administrative burden and compliance costs when identified. 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 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 Mayor and Council Communication requesting application and acceptance approval shall include the following components:
 - a. Name of grant,
 - b. Grantor,
 - c. Dollar award of grant along with the identification of required matching funds,
 - d. Overview of the grant program, including how the City will use the funds,
 - e. Required appropriation ordinances and language, and
 - f. 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.

5. The Mayor and Council Communication shall be routed through the Grant Team of the Financial Management Services Department for review prior to being placed on a City Council Agenda for consideration.
6. After City Council approval the Administering Department, in coordination with the Financial Management Services Department, shall prepare all documents required in the application process and submit the same to the granting agency.
7. Applications shall include a budget for all indirect costs allowable under the grant.
8. 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 Mayor and Council Communications.
9. Once a grant is awarded, the Administering Department is responsible for accepting the award and, in concert with the City Attorney's Office and the respective Assistant City Manager, seeing that the corresponding contract is correct and fully executed.
10. 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 a Mayor and Council Communication for approval to apply for the grant only. In these instances, a supplemental Mayor and Council Communication is required in order to accept the grant.

B. Grant Set-Up

1. Upon award of a grant by a granting entity, 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.
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, and
 - e. The funding location (FID) for any required matching 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 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 task group/task profile/combo code requests, which are reviewed by FMS Grant Accounting and set up by FMS Financial Reporting.

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, applicable State laws and/or regulations, and corresponding contractual agreements. FMS Grant Accounting shall provide assistance and serve as a resource for clarification of any questions regarding 2 CFR 200.
2. If the grant has subrecipients:
 - a. The Administering Department, with assistance and support from FMS Grant Accounting, shall 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 monitoring 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., 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) for the City fiscal year beginning October 1, 2018.
 - e. 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.
5. The Administering Department shall submit project status reports in accordance with the award agreement, and provide copies of such reports to FMS Grant Accounting to be attached in PeopleSoft.
 6. The Administering Department shall create and maintain adequate documentation for all program operations and expenditures (activity reports, invoices, purchase orders, receipt documentation, etc.).
 7. The Administering Department and FMS Grant Accounting shall 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.
 8. FMS Grant Accounting will ensure awards are accounted for in accordance with 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, applicable State regulations, and City policies and procedures.
 9. The Administering Department and FMS Grant Accounting shall, at a minimum, review and analyze grant financials monthly. This review will include a process to verify that all costs are allowable and appropriate and that all revenues earned have been recognized.
 10. As determined and specified in the Grant Kick-off Meeting, either the Administering Department or FMS Grant Accounting will submit financial reports in accordance with the award agreement.
 11. 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 adjusting 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).
 12. 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 accounting system of record (PeopleSoft).
2. Direct and indirect costs should be clearly identified and separated.
3. City contributions (matching) and grantor funds should be clearly identified and separated.
4. The Administering Departments and FMS Grant Accounting are responsible to submit all financial reports required by grantor agencies.
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 is most typically handled at 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 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 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 that all disbursements are correct, and that any required retainage is accounted for properly.

10. Revenues:

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

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.
- b. FMS Grant Accounting is responsible for reviewing and posting such journal entries.
- c. For large journal entries better handled by uploading, the Administering Department shall 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. 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 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. 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. The Administering Department and FMS Grant Accounting are responsible for 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. The Administering Department shall 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 (if applicable), and
 - c. Request to inactivate or redirect Payroll Task Profiles (if applicable).
6. The Administering Department or FMS Grant Accounting (per the Grant Kick-off agreement) shall ensure final reimbursement request is submitted. FMS Grant Accounting shall verify that final reimbursement has been received.
7. The Administering Department and FMS Grant Accounting shall ensure that all financial activities are recorded, that revenues balance to expenditures, and that revenues and expenditures balance to budget figures.
8. The Administering Department shall submit combo codes for closure and task groups/task profiles for closure or redirection. FMS Grant Accounting shall review and approve, and FMS Financial Reporting will process the requests.
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 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.

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 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;
 - 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.
 - 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.

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 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.

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

C. Selection of Auditors

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

D. Audit Completion

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

E. Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) established the Certificate of Achievement for Excellence in Financial Reporting (CAFR 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 its CAFR 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.

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.

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.

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.

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 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 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.

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 by the donor for a specific or particular City department, location, or purpose. 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.

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 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. The Beneficiary Department Head is responsible for acknowledging receipt of and thanking, on behalf of the City, all donors.
12. The City shall comply with all applicable laws and regulations of the Internal Revenue Service regarding the acceptance of donations.
13. 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;
 - 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 Trust and Perpetuity Funds: Donations of 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 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 funds will be treated as operating funds, i.e. annual budgeted funds and have a commitment control ledger applied consistent with other operating funds.
 4. 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.
- 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 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.

- a. Accrual Basis of Accounting – A basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows. For example, in accrual accounting, revenue that was earned on April 1 but for which payment was not received until July 10, is recorded as revenue on April 1st regardless of the timing of when the payment is received.
- b. Annually Completed Actuarial Report – An Actuarial Report includes a type of appraisal which requires making economic and demographic assumptions in order to estimate future liabilities.
- c. Business Plan- A department-level plan. In this plan, departments outline each division’s Service Areas and associated key performance indicators, and priority initiatives for each. This document is meant to serve as a high-level annual performance plan, in which measures are periodically updated to facilitate continuous observation, trend analysis, and improvement of department activities and services.
- d. Capital Improvement Plan (CIP) – A plan that describes the capital projects and associated funding sources the City intends to undertake in the current fiscal year plus four successive fiscal years, including the acquisition or construction of capital facilities and assets, and the maintenance thereof.
- e. Capital Projects Fund – A governmental fund established to account for resources used for the acquisition of large capital improvements and non-recurring expense other than those acquisitions accounted for in proprietary or trust funds.
- f. Cash Flow – The net cash balance at any given point. The Chief Financial Officer/Director of Finance shall prepare a cash flow analysis which projects the inflow, outflow, and net balance of cash reserves on a daily/weekly/monthly / annual basis.
- g. Days Cash on Hand – A measure of cash saved that is not earmarked or designated for any purpose (unrestricted cash) which calculates the number of days a system can pay expenses associated with daily operations and maintenance before complete depletion of unrestricted cash occurs. Days Cash on Hand is calculated by dividing unrestricted cash by the system’s average daily cost of operations (annual operating expenses, excluding depreciation, divided by 365).

- h. Debt Service - The cash that is required for a particular time period to cover the repayment of interest and principal on a debt. Debt Service is projected on an annual basis.
- i. Debt Service Fund - a fund established to accumulate resources and to account for revenues and expenditures used to repay the principal and interest on debt.
- j. Deferred Inflows of Resources - resources that flow into a fund during the fiscal year, but are related to a future period. Deferred Inflows have a negative effect on net position, similar to liabilities. (Examples include: property taxes levied in the current year to finance the subsequent year's budget.
- k. Deferred Outflows of Resources - resources that flow out of a fund during the fiscal year, but are related to a future period. Deferred Outflows have a positive effect on net position, similar to assets. (Examples include: resources provided to a grantee before the grantee has met related time requirements, but after all other eligibility criteria have been met).
- l. Department of Finance - includes the references in the City Charter to the Department of Finance and the Department of Financial Management Services. For purposes of this policy, the Department of Finance is the department responsible for the corporate financial operations of the City.
- m. Enterprise Fund - Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.
- n. Expenditure - refers to the value of goods and services *received* during a period of time, regardless of when they are *used* (accrual basis of accounting) or *paid* for (cash basis of accounting).
- o. Expense - refers to the value of goods and services *used* during a period of time, regardless of when they were *received* (modified accrual basis of accounting) or *paid* for (cash basis of accounting).
- p. Fiduciary Fund - A fund that accounts for resources that governments hold in trust for other entities.
- q. Fund Balance - Fund balance is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Fund Balance is broken up into five categories:

1. Non-spendable Fund Balance – Includes amounts that are not in a spendable form or are required to be maintained intact. Examples are consumable inventories.
 2. Restricted Fund Balance – Includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and donations.
 3. Committed Fund Balance – Includes amounts that can be used only for the specific purposes determined by a formal action (for example, legislation, resolution, 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.
 5. Unassigned Fund Balance - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund. Unassigned amounts are technically available for any purpose.
- r. General Fund – One of five governmental fund types. The General Fund typically serves as the chief operating fund of a government. The General Fund is used to account for all financial resources not accounted for or restricted to another fund.
 - s. Governmental Fund – funds generally used to account for tax-supported activities. There are five different types of governmental funds including: General Fund, Special Revenue Funds, General Debt Service Fund, Capital Project Funds, and Permanent Funds.
 - t. Incurred but not Reported Claims – Claims/and or events that have transpired, but have not yet been reported.

- u. Internal Service Fund- Proprietary fund type used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.
- v. Long-Term Financial plan (LTFP) - A Long-Term Financial Plan includes an analysis of the financial and economic environment, long-term forecasts, debt analysis, and financial strategies.
- w. Modified Accrual Basis of Accounting - The accrual basis of accounting adapted to the governmental fund type spending measurement focus. Under this basis of accounting, revenues are recognized when they become both “measurable” and “available” to finance expenditures in the current period. For example, revenue that is earned and measurable on April 1, is billed on April 30th, and paid on May 1st would not be recorded as revenue until payment is received on May 1st.
- x. Net Position - Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in a proprietary fund.
- y. Non-Recurring Item - An expenditure that has not occurred in the previous two years and is not expected to occur in the following year.
- z. Operating Expenditures (Governmental Funds) - An expenditure incurred in carrying out the City’s day-to-day activities. Operating Expenditures include such things as payroll, employee benefits and pension contributions, transportation and travel.
- aa. Operating Expenses (Proprietary Funds) - An expense incurred in carrying out the City’s day-to-day activities. Operating Expenses include such things as payroll, employee benefits and pension contributions, transportation and travel, amortization and depreciation. Notwithstanding the foregoing, with respect to a City Enterprise for which obligations, secured in whole or in part by the revenues of such Enterprise (such as the City’s Water and Sewer System), have been issued or incurred, Operating Expenses shall be determined in accordance with State law and terms of the ordinances pursuant to which such obligations were issued or incurred.
- bb. Pay As You Go Financing - The use of currently available cash resources to pay for capital investment. It is an alternative to debt financing.

- cc. Pooled Cash – The sum of unrestricted cash and investments of several accounting funds that are consolidated for cash management and investment purposes. Investment income or expenditure is allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.
- dd. Program - A set of activities, operations, or organizational units designed and directed to accomplish specific service outcomes or objectives for a defined customer.
- ee. Proprietary Fund – A class of fund types that account for a local government’s businesslike activities. Proprietary funds are of two types: enterprise funds and internal service funds. Both use the accrual basis of accounting and receive their revenues from charges to users. (Enterprise Fund examples: Water and Sewer Fund, Stormwater Utility Fund, Municipal Parking Fund; Internal Service Fund examples: Equipment Services, Information Systems Fund).
- ff. Reserve (Governmental Funds) - Reserve refers only to the portion of Fund Balance that is intended to provide stability and respond to unplanned events or opportunities. See associated Reserve Policy for specific details.
- gg. Reserve (Proprietary Funds) - Reserve refers only to the portion of Working Capital that is intended to provide stability and respond to unplanned events or opportunities. See associated Reserve Policy for specific details.
- hh. Special Revenue Fund- Governmental fund type used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purpose other than debt service or capital projects and exclusive of resources held in trust for individuals, private organizations, or other governments.
- ii. Unrestricted Net Position - The portion of a fund’s net position that is not restricted for a specific purpose.
- jj. Working Capital - An accounting term defined as current assets less current liabilities in a proprietary fund. Working Capital is used to express the Reserves available in proprietary funds for use.