

Capital Expenditures and Improvements Policy

I. Authority

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

II. Purpose

This policy 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. Applicability and Scope

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

IV. Glossary

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

V. Capital Improvements Planning

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

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VI. 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.

VII. 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, restricted 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.

VIII. Lake Worth Expenditures

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

IX. 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:

- A.** Finance cost overruns on bond projects within the same bond proposition;
- B.** Reduce outstanding debt at the end of the bond program; and

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- C.** 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.

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

Many capital projects that are administered by the City of Fort Worth have multiple funding sources, which can include internal and external sources. Spend funding in the following order: (e.g., Priority One, then Priority Two, then Priority Three, and lastly Priority Four)

Priority One: Proceeds from any type of debt issuance (tax notes, bonds, loans, legacy funds etc.) and/or Impact Fees shall be used as primary funding sources. Impact Fees shall be applied strategically, provided they are eligible under applicable laws and fee ordinances, to reduce reliance on debt and ensure optimal use of all funding sources. Debt proceeds shall be expended in chronological order, using the oldest proceeds first (e.g., 2014 General Obligation Bond proceeds before 2018 Bond proceeds, or 2018 before 2022 proceeds). Per IRS regulations, 85% of all Bond proceeds must be spent within three years of issuance. Failure to do so may result in the bonds being deemed taxable, which can carry significant financial consequences for the issuing entity.

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

- A.** Intergovernmental Agreements (Once verified as Non-Grant)
- B.** Contribution from an outside source (e.g., cash donation)
- C.** Developer contributions

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

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Priority Four: Other funding sources appropriated by Budget that do not fall into the three above categories (e.g., pay-go funding). These funds should always be spent lastly due to the ability to re-program any remaining funds when a project is completed to other identified needs within the City.

Projects funded with Pay-Go funding upon completion; residuals should be returned back to their original funding source to be used for its original designated use.

XI. Spending Priority of Grant Related Capital Projects

The funding priority identified above for non-grant capital projects should generally be followed for grant funded projects, as long as the priorities and methodologies are consistent with the grant requirements.

Where the grant requirements differ from the above identified City priorities, the grant priorities should prevail.

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XII. Revision History

Responsible Party – Financial Reporting Coordinator, Financial Reporting

Standard Statement: Revisions are detailed in the table. The revision number reflects the sequential order of updates and is archived under the corresponding fiscal year. The “Revision Date” refers to the date the change was made, which may differ from the “Effective Date” which is the first day of the subsequent Fiscal Year, as formal enactment is determined by Mayor and Council (M&C) action. The “Revision Summary” field specifies the nature of the change and may include a rationale.

Revision Number	Revision Date	Revision Summary	M&C
1	9/15/2020	Adopt FMPS Capital Expenditures and Improvements Policy	M&C 20-0645
2	8/24/2021	Adopt FMPS Capital Expenditures and Improvements Policy	M&C 21-0591
3	9/13/2022	Adopt FMPS Capital Expenditures and Improvements Policy	M&C 22-0660
4	9/26/2023	Adopt FMPS Capital Expenditures and Improvements Policy	M&C 23-0842
5	9/17/2024	Adopt FMPS Capital Expenditures and Improvements Policy	M&C 24-0805
6	9/16/2025	Section X Paragraph 2: Updated use debt proceeds and eligible Impact Fees as primary funding. Spend oldest debt proceeds first. Per IRS rules, 85% of bond funds must be used within 3 years to avoid tax penalties.	M&C 25-0837
7	9/15/2026	Adopt FMPS Capital Expenditures and Improvements Policy	M&C 26-1055