



# Preliminary Budget

2017/2018

Revised 9/19/2017



## Annual Operating Budget For Fiscal Year 2017/2018

This budget will raise more total property taxes than last year's budget by \$2,785,359 which is a 12% increase and of that \$1,133,360 is tax revenue to be raised from new property added to the tax roll this year.

The proposed tax rate of \$.6650 per \$100 valuation which is  $\frac{1}{4}$  cent less than the current tax rate of \$.6675 per \$100 valuation.

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# City of The Colony

## Memorandum

To: Mayor and City Council Members

From: Troy Powell, City Manager  
Tim Miller, Assistant City Manager

Date: September 11, 2017

Reference: Proposed FY 2017-2018 Budget

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Enclosed is the proposed budget for FY 2017-18. The purpose of this memo is to summarize significant items.

Key principles of the budget are as follows:

- 5% increase in water and sewer revenues. 5<sup>th</sup> year of the 5 year plan of 3% rate increases.
- Total operating revenues Increased by \$5.9 million (2.8 property taxes, .9 water/sewer revenues, .85 sales tax, .8 Transfers In, .5 franchise fees).
- Added Personnel (Fire 6, PD 3, Utility 5, Admin 1).
- Blended raises 4%.
- Medical insurance increase of 10%.
- One quarter of a cent reduction in the property tax rate (\$.6675 to \$.665).
- Fund balances operating days will remain the same as last year's budget: General Fund 80 days; Utility Fund 60 days; and Parks 60 days.
- Over 18 million in CIP projects.

The proposed FY 2017-18 Budget is respectfully submitted for your review.

**GENERAL FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>TAXES</b>				
Ad Valorem Taxes				
Current Property Taxes	12,181,773	15,764,135	18,358,238	20,774,740
Rendition Penalty Revenue	4,576	4,409	3,500	3,500
Ag. Roll Back Taxes	220,117	145,757	4,000	4,000
Delinquent Property Tax	84,720	39,359	35,000	35,000
Penalties & Interest	91,900	149,293	50,000	50,000
Total	12,583,086	16,102,953	18,450,738	20,867,240
City Sales Taxes				
Sales Taxes	5,065,537	5,449,653	5,758,500	6,334,350
Mixed Beverage Tax	228,691	287,343	220,000	500,000
Total	5,294,228	5,736,996	5,978,500	6,834,350
Franchise Taxes				
Electric	1,282,334	1,261,617	1,296,236	1,600,000
Natural Gas	167,998	138,012	152,250	150,000
Telephone	141,416	219,777	183,750	250,000
PEG Fees	120,546	98,905	78,750	115,000
Video	641,111	501,199	498,750	550,000
Sanitation-Residential	173,297	176,185	168,000	190,000
Sanitation-Commercial	145,774	132,096	105,000	145,000
Total	2,672,476	2,527,791	2,482,736	3,000,000
<b>TOTAL TAXES</b>	<b>20,549,790</b>	<b>24,367,740</b>	<b>26,911,974</b>	<b>30,701,590</b>
<b>LICENSES &amp; PERMITS</b>				
Building Permits-New Homes	894,744	551,600	1,000,000	1,250,000
Building Permits-Other	846,390	530,166	1,000,000	650,000
Commercial Permits	996,851	342,710	250,000	300,000
Certificates Of Occupancy	8,525	6,325	5,000	5,000
Zoning Fees	20,345	14,123	6,000	6,000
Fire Fees	29,199	44,584	20,000	20,000
Solicitors Permits	1,100	1,130	1,200	1,200
Health Permits	98,307	106,412	85,000	100,000
Platting Fees	58,216	19,316	20,000	15,000
Alcohol Permits	11,125	14,695	8,500	8,500
Code Enforcement Fees	15,278	26,917	19,000	19,000
Floodplain Development Permits	1,300	1,100	800	800
Inspection Fees	425,848	621,233	300,000	300,000
Grading Permit	9,095	6,823	1,000	1,000
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>3,416,323</b>	<b>2,287,134</b>	<b>2,716,500</b>	<b>2,676,500</b>
<b>CHARGES FOR SERVICES</b>				
Fire & Ambulance				
Ambulance Calls	372,577	423,460	426,000	520,000
Ambulance Subscription Revenue	18,170	19,804	15,000	20,000
Service Liens	24,785	19,982	15,000	15,000
Denton County Engine Response	2,500	3,000	1,500	1,500
County Ambulance Funds	21,144	22,781	21,000	21,000
County Fire Funds	10,000	10,000	10,000	10,000
Total	449,176	499,027	488,500	587,500
Library				
County Library Funds	39,755	40,000	41,000	41,000
Total	39,755	40,000	41,000	41,000

**GENERAL FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>TOTAL CHARGES FOR SERVICES</b>	488,931	539,027	529,500	628,500
<b>FINES AND FORFEITURES</b>				
Municipal Court Fines	953,650	817,528	720,000	720,000
Library Fees	8,149	7,427	8,400	8,000
Animal Control Fees	21,400	31,415	20,050	30,000
<b>TOTAL FINES AND FORFEITURES</b>	983,199	856,370	748,450	758,000
<b>INVESTMENT INCOME</b>				
Interest Income	13,155	67,744	10,000	50,000
<b>TOTAL INVESTMENT INCOME</b>	13,155	67,744	10,000	50,000
<b>GRANT REVENUES</b>				
Fire Grant	-	5,000	-	-
LEISD Grant	53,688	50,622	50,000	50,000
LISD Grant	78,701	86,420	77,000	77,000
<b>TOTAL GRANT REVENUES</b>	132,389	142,042	127,000	127,000
<b>OTHER REVENUES</b>				
Auction Proceeds	8,098	32,307	10,000	10,000
Tower Rental Fees	255,763	270,101	216,880	220,000
Insurance Reimbursement	-	8,523	1,000	1,000
Miscellaneous	78,656	80,218	40,000	50,000
Police Reports	5,833	6,927	4,000	4,000
Alarm Fees	38,175	49,441	33,000	30,000
Annex Lease	7,825	-	-	-
<b>TOTAL OTHER REVENUES</b>	394,350	447,517	304,880	315,000
<b>TOTAL REVENUES</b>	25,978,137	28,707,574	31,348,304	35,256,590
<b>TRANSFER IN</b>				
Transfer - CDC	-	-	-	-
Transfer - EDC	22,715	22,715	-	-
Transfer - Storm Water Utility	250,000	250,000	50,000	50,000
Transfer In-GF Debt Service	-	-	1,850,538	-
Transfer - Utility Fund	2,322,406	611,500	-	-
Transfer - Child Safety Fund	20,000	20,000	20,000	20,000
Transfers In - EDC S. Colony Conn-Ph2	-	-	-	154,307
Transfers In - EDC - Cascades	-	-	-	244,379
Transfers In - EDC - Memorial Drive	-	-	-	49,394
Transfers In - Hike & Bike Trail (CDC)	-	-	-	131,600
Transfers In - Parking Lot (CDC)	-	-	-	64,867
Transfers In - 4B 5 Starr	-	-	-	529,400
<b>TOTAL TRANSFERS</b>	2,615,121	904,215	1,920,538	1,243,947
<b>TOTAL REVENUES &amp; TRANSFERS</b>	28,593,258	29,611,789	33,268,842	36,500,537

**GENERAL FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>EXPENDITURES</b>				
Non-Departmental	5,402,852	6,398,890	7,296,328	8,206,059
General Administration	769,548	896,714	787,238	936,665
City Council	37,843	138,037	153,872	155,992
Community Image	427,054	481,366	492,154	516,466
City Secretary	309,028	380,692	348,043	323,140
Human Resources	228,048	345,715	367,855	352,014
Finance	809,850	884,441	985,267	1,026,809
Information Technology	572,125	606,880	720,190	718,754
Municipal Court	384,702	405,911	424,316	413,647
Communications	-	-	899,131	992,930
Fire	5,856,991	6,281,629	6,322,167	7,108,944
Police	7,615,815	8,479,446	7,650,790	7,947,306
Animal Control	-	-	316,327	343,515
Library	990,012	1,023,092	1,092,005	1,093,169
Engineering	1,505,487	1,526,488	1,641,690	1,649,469
Facilities Maintenance	423,052	468,037	493,701	692,443
Fleet Services	596,203	699,160	733,621	755,888
2017 Personnel			2,265,000	
Current Year Budget Amendments			1,570,000	
2017 Capital Projects Cash Funded			1,356,900	
Personnel Additions				1,177,614
Raises/Health Care				1,426,570
CIP Debt and Cash Items				1,800,000
<b>TOTAL EXPENDITURES</b>	<b>25,928,610</b>	<b>29,016,498</b>	<b>35,916,595</b>	<b>37,637,394</b>
<b>TRANSFER OUT</b>				
Transfer - CVB	120,000	100,000	90,000	90,000
Transfer - Special Events	100,000	80,000	40,000	40,000
Transfer - KTB	20,000	20,000	20,000	10,000
Transfer - Utility			1,777,000	1,000,000
Transfer - Parks Fund	2,149,884	2,246,700	2,611,700	2,531,000
Transfer - G.F. Special Cap	1,876,660	1,176,870		
<b>TOTAL TRANSFER OUT</b>	<b>4,266,544</b>	<b>3,623,570</b>	<b>4,538,700</b>	<b>3,671,000</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>30,195,154</b>	<b>32,640,068</b>	<b>40,455,295</b>	<b>41,308,394</b>
<b>OH COST ALLOCATION</b>	<b>(3,945,663)</b>	<b>(3,945,663)</b>	<b>(3,945,663)</b>	<b>(3,945,663)</b>
BEGINNING FUND BALANCE	9,045,323	11,389,090	12,306,475	9,065,685
<b>EXCESS/(DEFICIENCY)</b>	<b>2,343,767</b>	<b>917,384</b>	<b>(3,240,790)</b>	<b>(862,194)</b>
<b>ENDING FUND BALANCE</b>	<b>11,389,090</b>	<b>12,306,475</b>	<b>9,065,685</b>	<b>8,203,491</b>
<b>UNRESERVED FUND BALANCE</b>	<b>11,389,090</b>	<b>12,306,475</b>	<b>9,065,685</b>	<b>8,203,491</b>
Working Days in Fund Balance	158	157	91	80

**PARKS FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>CHARGES FOR SERVICES</b>				
Parks & Recreation				
Recreation Program Revenue	149,809	161,910	132,000	160,000
Athletic Program Revenue	115,747	74,177	115,000	103,000
Athletic & Recreation Facility Revenue	144,346	184,128	141,000	150,000
Pass Revenue	15,975	14,200	20,000	15,000
<b>Total</b>	<b>425,877</b>	<b>434,415</b>	<b>408,000</b>	<b>428,000</b>
Aquatic Park				
Swimming Lessons	131,030	141,948	110,000	140,000
Entrance Fees	42,532	41,168	42,000	42,000
Concession Sales	2,934	2,668	1,400	1,400
Private Party Fees	33,968	28,747	33,000	29,000
<b>Total</b>	<b>210,464</b>	<b>214,531</b>	<b>186,400</b>	<b>212,400</b>
Community Center				
Rental Revenue	17,026	17,292	10,000	17,000
Program Revenue	1,091	1,047	1,500	1,000
Travel Commissions	9,284	3,062	-	3,000
Membership Fees	5,342	6,343	5,000	5,000
<b>Total</b>	<b>32,743</b>	<b>27,744</b>	<b>16,500</b>	<b>26,000</b>
<b>TOTAL CHARGES FOR SERVICES</b>	<b>669,084</b>	<b>676,690</b>	<b>610,900</b>	<b>666,400</b>
<b>OTHER INCOME</b>				
Horizon Lease Payment	230,924	179,317	215,000	215,000
Miscellaneous	64,277	148,030	53,000	6,500
Interest Income	1,298	7,621	500	7,000
<b>TOTAL OTHER INCOME</b>	<b>296,499</b>	<b>334,968</b>	<b>268,500</b>	<b>228,500</b>
<b>TOTAL REVENUES</b>	<b>965,583</b>	<b>1,011,658</b>	<b>879,400</b>	<b>894,900</b>
<b>TRANSFER IN</b>				
Transfer - General Fund	2,149,884	2,246,700	2,611,700	2,531,000
Transfer - CDC Five Star Maintenance	165,000	165,000	176,000	165,000
Transfer - CDC Fund Personnel	122,845	122,845	134,845	134,845
Transfer - Lake Parks Fund	35,000	35,000	35,000	35,000
<b>TOTAL TRANSFERS</b>	<b>2,472,729</b>	<b>2,569,545</b>	<b>2,957,545</b>	<b>2,865,845</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>	<b>3,438,312</b>	<b>3,581,203</b>	<b>3,836,945</b>	<b>3,760,745</b>
<b>EXPENDITURES</b>				
Non-Departmental	24,248	49,354		
Parks & Recreation	1,994,918	2,039,973	2,159,081	2,290,152
Aquatic Park	435,444	430,793	492,454	513,301
Community Center	127,667	135,731	152,362	161,255
<b>TOTAL EXPENDITURES</b>	<b>2,582,277</b>	<b>2,655,851</b>	<b>2,803,897</b>	<b>2,964,708</b>
<b>OH COST</b>	<b>1,014,192</b>	<b>1,014,396</b>	<b>1,014,396</b>	<b>1,014,398</b>
<b>BEGINNING FUND BALANCE</b>	<b>1,096,647</b>	<b>938,490</b>	<b>849,446</b>	<b>868,098</b>
<b>EXCESS (DEFICIENCY)</b>	<b>(158,157)</b>	<b>(89,044)</b>	<b>18,652</b>	<b>(218,361)</b>
<b>ENDING FUND BALANCE</b>	<b>938,490</b>	<b>849,446</b>	<b>868,098</b>	<b>649,737</b>
Working Days in Fund Balance	133	117	83	60



**UTILITY FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>CHARGES FOR SERVICES</b>				
Water Service	8,831,338	9,408,917	9,879,363	10,373,331
Wastewater Service	4,968,229	5,346,506	5,613,831	5,894,523
Reconnect Fees	23,120	23,950	20,000	20,000
Penalties	454,612	447,494	425,000	450,000
Tap Connection Fees	377,245	195,910	200,000	200,000
Interest Income	12,834	72,097	2,000	70,000
Miscellaneous	74,714	81,075	35,000	80,000
Recycling Billing	31,692	32,171	30,000	32,000
Recycling Education Contribution	36,000	-	36,000	36,000
<b>TOTAL REVENUES</b>	<b>14,809,784</b>	<b>15,608,120</b>	<b>16,241,194</b>	<b>17,155,854</b>
<b>TRANSFERS IN</b>				
Transfer - Storm Water Utility Fund	350,000	350,000	350,000	400,000
Transfer - CIP	530,031	-	-	-
Transfer - General Fund	-	-	1,777,000	1,000,000
Transfer - Capital Projects - Water meters	200,000	-	-	-
Transfer - Capital Projects - Streets	200,000	-	-	-
<b>TOTAL TRANSFERS IN</b>	<b>1,280,031</b>	<b>350,000</b>	<b>2,127,000</b>	<b>1,400,000</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>	<b>16,089,815</b>	<b>15,958,120</b>	<b>18,368,194</b>	<b>18,555,854</b>
<b>EXPENDITURES</b>				
Non-Departmental	366,824	143,835	158,000	163,000
Water Production	3,027,885	3,523,231	3,229,811	3,521,717
Water Distribution	1,181,191	1,239,795	1,381,358	1,419,865
Wastewater	721,846	749,075	930,672	1,008,654
Utility Administration	635,997	669,567	684,975	741,634
Public Works	1,510,933	1,769,193	2,062,197	2,167,935
Storm Water - Engineering	23,916	8,087	38,600	118,100
Storm Water - Public Works	116,702	121,637	154,086	156,367
Environmental	154,327	161,987	167,446	179,765
<b>TOTAL EXPENDITURES</b>	<b>7,739,621</b>	<b>8,386,407</b>	<b>8,807,145</b>	<b>9,477,037</b>
<b>TRANSFERS OUT</b>				
Transfer - General Fund	2,322,406	611,500	-	-
Transfer - Utility Debt Service	2,275,000	3,650,000	6,500,000	7,000,000
Transfer - D. S. Revenue bonds	995,000	1,100,000	-	-
Transfer - Special Projects	45,000	-	-	-
Transfer - Capital Projects	10,500	-	-	-
<b>TOTAL TRANSFERS OUT</b>	<b>5,647,906</b>	<b>5,361,500</b>	<b>6,500,000</b>	<b>7,000,000</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>13,387,527</b>	<b>13,747,907</b>	<b>15,307,145</b>	<b>16,477,037</b>
<b>OH COST</b>	<b>2,593,752</b>	<b>2,593,752</b>	<b>2,593,752</b>	<b>2,593,752</b>
<b>BEGINNING FUND BALANCE</b>	<b>3,571,621</b>	<b>3,680,157</b>	<b>3,157,570</b>	<b>3,624,867</b>
<b>EXCESS (DEFICIENCY)</b>	<b>108,536</b>	<b>(522,587)</b>	<b>467,297</b>	<b>(514,935)</b>
<b>ENDING FUND BALANCE</b>	<b>3,680,157</b>	<b>3,157,570</b>	<b>3,624,867</b>	<b>3,109,932</b>
Working Days in Fund Balance	84	71	74	60

**GENERAL DEBT SERVICE**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2018-2019 Budget
<b>CHARGES FOR SERVICES</b>				
Current Property Taxes	4,952,479	4,928,770	3,700,000	6,050,895
Delinquent Property Taxes	39,197	16,160	10,000	10,000
Ag. Roll Back Taxes	94,772	63,994	2,000	2,000
Penalty & Interest	38,613	50,718	25,000	25,000
Investment Income	2,095	16,466	2,000	2,000
Misc Income	-	823	-	-
<b>TOTAL REVENUES</b>	<b>5,127,156</b>	<b>5,076,931</b>	<b>3,739,000</b>	<b>6,089,895</b>
<b>TRANSFERS IN</b>				
Transfers In - General Fund	612,007	-	-	-
Transfers In - Engineering Inspections	-	-	-	-
Transfers In - EDC S. Colony Conn-Ph2	154,106	152,506	150,906	-
Transfers In - EDC - Cascades	293,549	293,596	245,060	-
Transfers In - EDC - Memorial Drive	-	-	48,891	-
Transfers In - Hike & Bike Trail (CDC)	130,200	127,400	129,600	-
Transfers In - Parking Lot (CDC)	64,339	64,306	64,207	-
Transfers In - Parks 4B Projects - 5 Starr Comple	524,700	523,000	526,000	-
<b>TOTAL TRANSFERS IN</b>	<b>1,778,901</b>	<b>1,160,808</b>	<b>1,164,664</b>	<b>-</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>	<b>6,906,057</b>	<b>6,237,739</b>	<b>4,903,664</b>	<b>6,089,895</b>
<b>EXPENDITURES</b>				
Certificates of Obligation - 2003: Refund 2	-	-	-	-
Certificates of Obligation - 2004	-	-	-	-
Refunding Bonds - 2005	1,161,844	-	-	-
Certificates of Obligation - 2006	176,715	-	-	-
Certificates of Obligation - 2007	548,784	332,220	331,853	-
Certificates of Obligation - 2008	69,105	66,920	69,737	67,367
Certificates of Obligation - 2010	909,904	735,856	741,773	743,108
Certificates of Obligation - 2010A	203,143	178,533	175,296	175,130
Refunding Bonds - 2010/2001	524,700	523,000	526,000	529,400
Refunding Bonds - 2011/2002	682,290	689,472	688,370	690,612
Refunding Bonds - 2012/2003 &2007	1,061,812	993,638	911,438	365,513
Certificates of Obligation - 2013	154,106	152,506	150,906	154,306
Refunding Bonds - 2013/2004 GF/Utility	371,120	371,890	370,420	373,220
Refunding Bonds - 2014/2006 GF/Utility	99,650	269,276	269,752	269,072
Refunding Bonds - 2015/2005 &2007 GF/Utility	-	928,709	973,501	1,439,662
Certificates of Obligation - 2014	85,681	199,406	221,603	221,792
Certificates of Obligation - 2016	-	-	-	1,131,125
Governmental Capital 10 year note	112,165	112,263	112,263	112,263
Capital Lease - Fire Trucks	-	-	-	228,091
Fiscal Agent Fees & Other	5,318	152,270	4,000	4,000
<b>TOTAL EXPENDITURES</b>	<b>6,166,337</b>	<b>5,705,959</b>	<b>5,546,912</b>	<b>6,504,661</b>
<b>EXCESS (DEFICIENCY)</b>	<b>739,721</b>	<b>531,780</b>	<b>(643,248)</b>	<b>(414,766)</b>
BEGINNING FUND BALANCE	650,022	1,389,743	1,921,523	1,278,275
<b>ENDING FUND BALANCE</b>	<b>1,389,743</b>	<b>1,921,523</b>	<b>1,278,275</b>	<b>863,509</b>

**UTILITY TAX SUPPORTED DEBT**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>CHARGES FOR SERVICES</b>				
Current Property Taxes	-	-	-	
Delinquent Property Taxes	-	-	-	
Premium	-	-	-	
Penalty & Interest	-	-	-	
Fees	-	420,955	400,000	400,000
Investment Income	-	18,013	2,500	2,500
<b>TOTAL REVENUES</b>	-	438,968	402,500	402,500
<b>TRANSFERS IN</b>				
Transfers In - EDC 4A	306,999	307,161	306,545	306,846
Water Impact Fees	100,000	100,000	100,000	500,000
Revenue Bond Refunding	153,590			
Revenue Supported Debt Balance Transfer	-	1,509,924		
Transfers In - Utility Fund	2,275,000	3,650,000	6,500,000	7,000,000
<b>TOTAL TRANSFERS IN</b>	2,835,589	5,567,085	6,906,545	7,806,846
<b>TOTAL REVENUES &amp; TRANSFERS</b>	2,835,589	6,006,053	7,309,045	8,209,346
<b>EXPENDITURES</b>				
Certificates of Obligation - 2006	862,785	-	-	-
Certificates of Obligation - 2007	571,184	345,780	345,398	-
Certificates of Obligation - 2010	319,696	258,544	260,624	261,092
Certificates of Obligation - 2010A	41,608	36,567	35,904	35,870
General Obligation Refunding Bonds - 2011	215,460	217,728	217,380	218,088
Revenue Refunding Bonds 2012 (03,07,08)	-	331,213	303,813	121,838
General Obligation Refunding Bonds - 2013	-	1,487,560	1,481,680	1,492,880
General Obligation Refunding Bonds - 2014	486,525	1,314,699	1,317,023	1,313,703
Certificate of Obligation - 2014	526,326	1,224,925	1,361,278	1,362,439
Certificate of Obligation - 2015		832,679	837,150	828,150
Certificate of Obligation - 2015 Refunding		460,716	459,824	677,488
Certificate of Obligation - 2016	-	-	-	484,768
Fees/Cost of Issuance	369,446	40,318	4,000	4,000
<b>TOTAL EXPENDITURES</b>	3,393,030	6,550,729	6,624,074	6,800,316
<b>EXCESS (DEFICIENCY)</b>	(557,441)	(544,676)	684,971	1,409,030
BEGINNING FUND BALANCE	(310,580)	(868,021)	(1,337,520)	(652,549)
<b>ENDING FUND BALANCE</b>	(868,021)	(1,412,697)	(652,549)	756,481

**REVENUE BOND DEBT SERVICE**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>CHARGES FOR SERVICES</b>				
Fees	413,611	420,956	-	-
Investment Income	999	4,284	-	-
<b>TOTAL REVENUES</b>	<b>414,610</b>	<b>425,240</b>	<b>-</b>	<b>-</b>
<b>TRANSFERS IN</b>				
Transfers In - Utility Fund	995,000	1,100,000	-	-
Transfers In - Impact Fees	-	-	-	-
<b>TOTAL TRANSFERS IN</b>	<b>995,000</b>	<b>1,100,000</b>	<b>-</b>	<b>-</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>	<b>1,409,610</b>	<b>1,525,240</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>				
Revenue Bonds - 2004	-	-	-	-
Revenue Refunding Bonds - 2008	-	-	-	-
Revenue Refunding Bonds - 2012 (03,07,08)	353,938	-	-	-
General Obligation Refunding Bonds - 2013 (04)	1,484,480	-	-	-
Cost of Issuance	-	-	-	-
Transfer to Utility Debt Service	-	-	-	-
Fiscal Agent Fees & Other	669	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,839,087</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY)</b>	<b>(429,477)</b>	<b>1,525,240</b>	<b>-</b>	<b>-</b>
BEGINNING FUND BALANCE	822,927	393,450	-	-
<b>ENDING FUND BALANCE</b>	<b>393,450</b>	<b>1,918,690</b>	<b>-</b>	<b>-</b>

**ECONOMIC DEVELOPMENT - TYPE A SALES TAXES**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015	2015-2016	2016-2017	2017-2018
	Actual	Actual	Budget	Budget
<b>CITY SALES TAXES</b>				
Sales Tax Revenues	2,532,760	2,724,827	2,879,250	3,167,175
Investment Income	2,884	16,941	2,000	17,000
Miscellaneous Revenue	1,621	25,000	-	-
<b>TOTAL REVENUES</b>	<b>2,537,265</b>	<b>2,766,768</b>	<b>2,881,250</b>	<b>3,184,175</b>
<b>EXPENDITURES</b>				
Personnel Services	273,739	280,017	418,515	431,175
Contractual Services	39,894	46,456	53,160	71,660
Marketing	135,396	175,321	425,000	425,000
Supplies	7,982	6,311	15,100	18,200
Maintenance	371	232	-	1,500
Economic Development Incentives	79,225	263,000	750,000	500,000
Grant Program	-	-	-	25,000
Debt Service - Land	-	-	-	610,825
Capital	-	-	-	600,000
Property	-	44,020	250,000	0
Sales Tax Rebate	268,736	297,186	330,000	201,500
<b>TOTAL EXPENDITURES</b>	<b>805,343</b>	<b>1,112,543</b>	<b>2,241,775</b>	<b>2,884,860</b>
<b>TRANSFERS OUT</b>				
Transfer Out - General Fund BPP	22,715	22,715	-	-
Transfer Out - GF Cap Contribution	2,815,422	-	-	-
Transfer Out - GDSF	154,106	152,506	150,906	154,307
Transfer Out - GDSF	244,558	244,630	245,060	244,379
Transfer Out - GDSF	48,991	48,966	48,891	49,394
Transfer Out - UFDS	306,999	307,161	306,545	306,846
<b>TOTAL TRANSFERS OUT</b>	<b>3,592,791</b>	<b>775,978</b>	<b>751,402</b>	<b>754,926</b>
<b>TOTAL EXPENDITURES</b>	<b>4,398,134</b>	<b>1,888,521</b>	<b>2,993,177</b>	<b>3,639,786</b>
<b>OH COST</b>	<b>71,376</b>	<b>71,380</b>	<b>71,380</b>	<b>71,382</b>
<b>EXCESS (DEFICIENCY)</b>	<b>(1,932,245)</b>	<b>806,867</b>	<b>(183,307)</b>	<b>(526,993)</b>
<b>BEGINNING FUND BALANCE</b>	<b>6,866,439</b>	<b>4,934,194</b>	<b>5,741,061</b>	<b>5,557,754</b>
<b>ENDING FUND BALANCE</b>	<b>4,934,194</b>	<b>5,741,061</b>	<b>5,557,754</b>	<b>5,030,761</b>

**COMMUNITY DEVELOPMENT - TYPE B SALES TAXES**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>CITY SALES TAXES</b>				
Sales Tax Revenues	2,532,760	2,724,827	2,879,250	3,167,175
Investment Income	1,381	13,364	2,000	13,000
Miscellaneous	-	740	-	
<b>TOTAL REVENUES</b>	<b>2,534,141</b>	<b>2,738,931</b>	<b>2,881,250</b>	<b>3,180,175</b>
<b>TRANSFERS IN</b>				
Transfer from General Fund	-	-	-	
Transfer from Capital Projects Fund	-	-	-	
<b>TOTAL TRANSFERS IN</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>	<b>2,534,141</b>	<b>2,738,931</b>	<b>2,881,250</b>	<b>3,180,175</b>
<b>EXPENDITURES-OPERATIONAL</b>				
Personnel Services	90,986	94,445	99,477	103,707
Contractual Services	21,163	25,074	34,800	32,300
Supplies	1,059	3,740	3,650	3,650
Maintenance	18,401	32,889	40,100	40,100
Existing Park Improvements	1,215,000	1,552,500	649,250	3,078,000
Park Dedication Fee				150,000
Sales Tax Rebate				201,500
Capital Outlay	-		32,000	
<b>TOTAL EXPENDITURES</b>	<b>1,346,609</b>	<b>1,708,648</b>	<b>859,277</b>	<b>3,609,257</b>
<b>TRANSFERS OUT</b>				
Trnsfr Out - GDSF (Complex Debt)	524,700	523,000	526,000	529,400
Trnsfr Out - Parks Fd (Five Star Maint.)	165,000	165,000	176,000	165,000
Trnsfr Out - GDSF (Hike & Bike Trail)	130,200	127,400	129,600	131,600
Trnsfr Out GDSF (Parking Lot)	64,339	64,306	64,207	64,867
Trnsfr Out - Parks Fund (Personnel)	122,845	122,845	134,845	134,845
<b>TOTAL TRANSFERS OUT</b>	<b>1,007,084</b>	<b>1,002,551</b>	<b>1,030,652</b>	<b>1,025,712</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>2,353,693</b>	<b>2,711,199</b>	<b>1,889,929</b>	<b>4,634,969</b>
<b>OH COST</b>	<b>35,688</b>	<b>35,690</b>	<b>35,690</b>	<b>35,692</b>
<b>EXCESS (DEFICIENCY)</b>	<b>144,760</b>	<b>(7,959)</b>	<b>955,631</b>	<b>(1,490,486)</b>
<b>BEGINNING FUND BALANCE</b>	<b>2,184,962</b>	<b>2,329,722</b>	<b>2,321,764</b>	<b>3,277,395</b>
<b>ENDING FUND BALANCE</b>	<b>2,329,722</b>	<b>2,321,764</b>	<b>3,277,395</b>	<b>1,786,909</b>

**TIRZ ONE PID  
Revenue & Expenditure Projections  
Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>REVENUES</b>				
Assessment	-	2,834,293	1,162,836	1,531,457
Penalty and Interest	-	94,787	-	-
Interest Income	-	6,008	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>2,935,088</b>	<b>1,162,836</b>	<b>1,531,457</b>
<b>EXPENDITURES</b>				
Personnel Services	293,066	555,463	568,470	582,441
Contractual Services	414,475	501,351	613,800	533,800
Supplies	16,527	6,305	10,000	-
Maintenance & Utility	18,099	5,033	32,000	135,000
Capital Outlay	488,682	234,206	-	335,000
<b>TOTAL EXPENDITURES</b>	<b>1,230,849</b>	<b>1,302,358</b>	<b>1,224,270</b>	<b>1,586,241</b>
<b>EXCESS (DEFICIENCY)</b>	<b>(1,230,849)</b>	<b>1,632,730</b>	<b>(61,434)</b>	<b>(54,784)</b>
BEGINNING FUND BALANCE	-	(1,230,849)	401,881	340,447
<b>ENDING FUND BALANCE</b>	<b>(1,230,849)</b>	<b>401,881</b>	<b>340,447</b>	<b>285,663</b>

**LAKE PARKS FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>CHARGES FOR SERVICES</b>				
Fees & Permits	76,212	161,624	125,000	125,000
Developer Contributions	72,000	62,000	62,000	62,000
Concession Revenues	195	957	1,000	1,000
Marine Quest	50,650	66,132	85,000	70,000
Investment Income	-			
Mitigation Fees	70	230		
Miscellaneous	-	36,870		
<b>TOTAL REVENUES</b>	<b>199,127</b>	<b>327,813</b>	<b>273,000</b>	<b>258,000</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>				
	199,127	327,813	273,000	258,000
<b>EXPENDITURES</b>				
Contractual Services	68,110	78,600	73,225	73,225
Supplies	4,641	6,332	8,450	8,450
Maintenance	13,638	12,717	22,100	22,100
Capital Outlay	7,219	-	100,000	322,500
<b>TOTAL EXPENDITURES</b>	<b>93,608</b>	<b>97,649</b>	<b>203,775</b>	<b>426,275</b>
<b>TRANSFERS OUT</b>				
Transfer to Parks Fund	35,000	35,000	35,000	35,000
<b>TOTAL TRANSFERS OUT</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>				
	128,608	132,649	238,775	461,275
<b>EXCESS (DEFICIENCY)</b>	<b>70,519</b>	<b>195,164</b>	<b>34,225</b>	<b>(203,275)</b>
BEGINNING FUND BALANCE	526,965	597,484	792,648	826,873
<b>ENDING FUND BALANCE</b>	<b>597,484</b>	<b>792,648</b>	<b>826,873</b>	<b>623,598</b>



**SPECIAL EVENTS FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2016-2017 Actual	2017-2018 Budget	2017-2018 Budget
<b>REVENUES</b>				
Donations & Sponsorships	18,193	11,861	11,000	11,000
Event Revenues	58,158	54,677	50,000	50,000
<b>TOTAL REVENUES</b>	<b>76,351</b>	<b>66,538</b>	<b>61,000</b>	<b>61,000</b>
<b>TRANSFERS IN</b>				
Transfer from - General Fund	100,000	80,000	40,000	40,000
Transfer from - Hotel/Motel Tax	250,000	300,000	300,000	350,000
<b>TOTAL TRANSFERS IN</b>	<b>350,000</b>	<b>380,000</b>	<b>340,000</b>	<b>390,000</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>	<b>426,351</b>	<b>446,538</b>	<b>401,000</b>	<b>451,000</b>
<b>EXPENDITURES</b>				
Personnel	70,653	74,399	73,868	89,907
Supplies	-	-	-	-
Christmas	4,201	-	5,000	5,000
Christmas Light Show Supplemental	17,610	11,146	35,000	40,000
Christmas Light Show Base	6,500	6,524	-	-
Liberty by The Lake	89,465	88,747	90,000	95,000
American Heroes	124,416	131,570	145,000	160,000
Parent Child Event	3,939	4,570	4,500	5,100
Halloween Campout	6,017	5,977	6,000	6,000
Easter Egg Hunt	3,150	3,409	3,500	3,500
Event Marketing	2,821	1,196	3,000	3,000
Arbor Day	2,382	2,366	2,500	2,500
Movies In The Park	2,479	3,836	3,000	6,000
Kids Chase/Up, Up & Away(15-16)	545	3,043	2,500	3,000
Back To School	1,982	1,670	1,950	1,900
Bow Wow Pow Wow	1,590	1,790	1,800	1,800
Colony Playhouse	-	-	-	-
Road Runners Club	10,000	10,000	10,000	10,000
CMAC	16,975	206	-	-
Knights of Columbus - Liberty Fun Run	5,000	-	-	-
Chamber Golf Tourney	-	-	6,000	6,000
Lakeside Community Theatre	12,000	-	12,000	12,000
Mothers Opposing Bullying	-	2,500	2,500	-
Metro Relief	-	6,000	6,000	-
<b>TOTAL EXPENDITURES</b>	<b>382,122</b>	<b>358,949</b>	<b>414,118</b>	<b>450,707</b>
<b>OH COST</b>	<b>35,688</b>	<b>35,492</b>	<b>35,670</b>	<b>35,670</b>
<b>EXCESS (DEFICIENCY)</b>	<b>8,541</b>	<b>52,097</b>	<b>(48,788)</b>	<b>(35,377)</b>
BEGINNING FUND BALANCE	73,190	81,731	133,828	85,040
<b>ENDING FUND BALANCE</b>	<b>81,731</b>	<b>133,828</b>	<b>85,040</b>	<b>49,663</b>

**HOTEL/MOTEL TAX FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>HOTEL/MOTEL TAXES</b>				
Taxes	525,449	668,011	550,000	900,000
Miscellaneous	1,583	-	-	-
Investment Income	-	-	-	-
<b>TOTAL REVENUES</b>	<b>527,032</b>	<b>668,011</b>	<b>550,000</b>	<b>900,000</b>
<b>TRANSFERS IN</b>				
Transfer from - General Fund	120,000	100,000	90,000	90,000
<b>TOTAL TRANSFERS IN</b>	<b>120,000</b>	<b>100,000</b>	<b>90,000</b>	<b>90,000</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>	<b>647,032</b>	<b>768,011</b>	<b>640,000</b>	<b>990,000</b>
<b>EXPENDITURES</b>				
<b>Communications</b>				
Personnel Services	84,903	87,781	84,138	84,679
Contractual Services	4,365	1,034	840	840
Supplies	1,012	822	1,800	1,300
<b>CVB</b>				
Personnel Services	202,455	215,325	221,697	227,103
Contractual Services	39,914	54,614	63,200	80,300
Supplies	2,478	2,523	4,500	7,700
<b>TOTAL EXPENDITURES</b>	<b>335,127</b>	<b>362,099</b>	<b>376,175</b>	<b>401,922</b>
<b>TRANSFERS OUT</b>				
Transfer to Special Event	250,000	300,000	300,000	350,000
<b>TOTAL TRANSFERS OUT</b>	<b>250,000</b>	<b>300,000</b>	<b>300,000</b>	<b>350,000</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>585,127</b>	<b>662,099</b>	<b>676,175</b>	<b>751,922</b>
<b>OH COST</b>	<b>35,688</b>	<b>35,688</b>	<b>35,691</b>	<b>35,692</b>
<b>EXCESS (DEFICIENCY)</b>	<b>26,217</b>	<b>70,224</b>	<b>(71,866)</b>	<b>202,386</b>
BEGINNING FUND BALANCE	130,751	156,968	227,192	155,326
<b>ENDING FUND BALANCE</b>	<b>156,968</b>	<b>227,192</b>	<b>155,326</b>	<b>357,712</b>

**COURT SECURITY**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>REVENUES</b>				
Court Security Revenue	19,351	14,219	12,000	12,000
Investment Income	-			
<b>TOTAL REVENUES</b>	<b>19,351</b>	<b>14,219</b>	<b>12,000</b>	<b>12,000</b>
<b>EXPENDITURES</b>				
Personnel Services	-			1,300
Contractual Services	-			
Supplies	2,942			
Maintenance	-			
Capital Outlay	115,688	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>118,630</b>	<b>-</b>	<b>-</b>	<b>1,300</b>
<b>EXCESS (DEFICIENCY)</b>	<b>(99,279)</b>	<b>14,219</b>	<b>12,000</b>	<b>10,700</b>
BEGINNING FUND BALANCE	363,798	264,519	278,738	290,738
<b>ENDING FUND BALANCE</b>	<b>264,519</b>	<b>278,738</b>	<b>290,738</b>	<b>301,438</b>

**COURT TECHNOLOGY**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>REVENUES</b>				
Court Technology Revenue	25,802	18,959	20,000	20,000
Investment Income	-	-	-	-
<b>TOTAL REVENUES</b>	<b>25,802</b>	<b>18,959</b>	<b>20,000</b>	<b>20,000</b>
<b>EXPENDITURES</b>				
Contractual Services	3,228	2,162	3,300	500
Supplies/ copiers/Telephone	1,299	340	1,350	-
Maintenance - Tyler/Duncan Parking Tech Non-Capital	10,548	14,376	10,600	15,500
Capital Outlay	27,530	-	-	250
Overhead Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>42,605</b>	<b>16,878</b>	<b>15,250</b>	<b>16,250</b>
<b>EXCESS (DEFICIENCY)</b>	<b>(16,803)</b>	<b>2,081</b>	<b>4,750</b>	<b>3,750</b>
BEGINNING FUND BALANCE	47,751	30,948	33,029	37,779
<b>ENDING FUND BALANCE</b>	<b>30,948</b>	<b>33,029</b>	<b>37,779</b>	<b>41,529</b>

**CHILD SAFETY FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>REVENUES</b>				
Child Safety Fund Revenue	8,250	2,980	5,000	2,000
Denton County Child Safety Fund	51,085	44,250	45,000	42,000
<b>TOTAL REVENUES</b>	<b>59,335</b>	<b>47,230</b>	<b>50,000</b>	<b>44,000</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>	<b>59,335</b>	<b>47,230</b>	<b>50,000</b>	<b>44,000</b>
<b>EXPENDITURES</b>				
Child Advocacy Center	28,979	30,914	44,701	33,859
<b>TOTAL EXPENDITURES</b>	<b>28,979</b>	<b>30,914</b>	<b>44,701</b>	<b>33,859</b>
<b>TRANSFER OUT</b>				
Transfer - General Fund	20,000	20,000	20,000	20,000
<b>TOTAL TRANSFER OUT</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>48,979</b>	<b>50,914</b>	<b>64,701</b>	<b>53,859</b>
<b>EXCESS (DEFICIENCY)</b>	<b>10,356</b>	<b>(3,684)</b>	<b>(14,701)</b>	<b>(9,859)</b>
BEGINNING FUND BALANCE	52,915	63,271	59,587	44,886
<b>ENDING FUND BALANCE</b>	<b>63,271</b>	<b>59,587</b>	<b>44,886</b>	<b>35,027</b>

**CAPITAL PROJECTS ADMINISTRATION**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>REVENUES</b>				
TXDOT	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-
<b>TRANSFERS IN</b>				
Transfer - Revenue Bond Projects	-	-	-	-
Transfer - Impact Fees Fund	200,000	300,000	300,000	300,000
Transfer - Capital Account (216/846)	-	-	-	-
Transfer - General Obligation Bonds	-	-	-	-
Transfer - Utility Fund Cert of Oblig	-	-	-	-
<b>TOTAL TRANSFERS IN</b>	200,000	300,000	300,000	300,000
<b>TOTAL REVENUES &amp; TRANSFERS</b>	200,000	300,000	300,000	300,000
<b>EXPENDITURES</b>				
Personnel Services	110,858	121,686	120,694	127,092
Contractual Services	205	126	-	-
Supplies	20	10	500	500
Maintenance	-	-	-	-
Overhead Costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	111,083	121,822	121,194	127,592
<b>TRANSFER OUT</b>				
Transfer - General Fund	-	-	-	-
<b>TOTAL TRANSFERS OUT</b>	-	-	-	-
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	111,083	121,822	121,194	127,592
<b>OH COST</b>	159,276	159,265	159,265	159,077
<b>EXCESS (DEFICIENCY)</b>	(70,359)	18,913	19,541	13,331
<b>BEGINNING FUND BALANCE</b>	11,551	(58,808)	(39,895)	(20,354)
<b>ENDING FUND BALANCE</b>	(58,808)	(39,895)	(20,354)	(7,023)

**STORM WATER UTILITY FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>REVENUES</b>				
Storm Water Utility Fees	544,460	580,758	500,000	580,000
Investment Income	-	-	-	-
<b>TOTAL REVENUES</b>	<b>544,460</b>	<b>580,758</b>	<b>500,000</b>	<b>580,000</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>	<b>544,460</b>	<b>580,758</b>	<b>500,000</b>	<b>580,000</b>
<b>EXPENDITURES</b>				
Contractual Servics	82,710	7,512	-	150,000
<b>TOTAL EXPENDITURES</b>	<b>82,710</b>	<b>7,512</b>	<b>-</b>	<b>150,000</b>
<b>TRANSFERS OUT</b>				
Transfer - General Fund	250,000	250,000	50,000	50,000
Transfer - Environmental Fund	-	-	-	-
Projects to be determined			180,000	-
Transfer - Utility Fund	350,000	350,000	350,000	400,000
<b>TOTAL TRANSFERS OUT</b>	<b>600,000</b>	<b>600,000</b>	<b>580,000</b>	<b>450,000</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>682,710</b>	<b>607,512</b>	<b>580,000</b>	<b>600,000</b>
<b>EXCESS (DEFICIENCY)</b>	<b>(138,250)</b>	<b>(26,754)</b>	<b>(80,000)</b>	<b>(20,000)</b>
BEGINNING FUND BALANCE	295,763	157,513	130,759	50,759
<b>ENDING FUND BALANCE</b>	<b>157,513</b>	<b>130,759</b>	<b>50,759</b>	<b>30,759</b>

**WATER/SEWER IMPACT FEES FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>IMPACT FEES</b>				
Water Impact Fees	1,001,598	433,491	400,000	400,000
Sewer Impact Fees	450,655	112,489	100,000	100,000
Investment Income	-	-	-	-
<b>TOTAL REVENUES</b>	<b>1,452,253</b>	<b>545,980</b>	<b>500,000</b>	<b>500,000</b>
<b>EXPENDITURES</b>				
Water Impact Fee Reimbursement	1,178	-	-	-
Sewer Impact Fee Reimbursement	193,929	66,531	60,000	70,000
Contractual Services - Water Master Plan	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>195,107</b>	<b>66,531</b>	<b>60,000</b>	<b>70,000</b>
<b>TRANSFERS OUT:</b>				
Transfer - Capital Project Admin	200,000	300,000	300,000	300,000
Transfer - Utility Revenue Debt Service	100,000	100,000	100,000	500,000
<b>TOTAL TRANSFERS OUT</b>	<b>300,000</b>	<b>400,000</b>	<b>400,000</b>	<b>800,000</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>495,107</b>	<b>466,531</b>	<b>460,000</b>	<b>870,000</b>
<b>EXCESS (DEFICIENCY)</b>	<b>957,146</b>	<b>79,449</b>	<b>40,000</b>	<b>(370,000)</b>
BEGINNING FUND BALANCE	376,842	1,333,988	1,413,437	1,453,437
<b>ENDING FUND BALANCE</b>	<b>1,333,988</b>	<b>1,413,437</b>	<b>1,453,437</b>	<b>1,083,437</b>



**CITIZEN DONATION FUND**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 actual	2016-2017 Budget	2017-2018 Budget
<b>REVENUES</b>				
One Dollar Donation	356	342	360	360
Recycling Rebate Donation	424	410	471	471
Investment Income	-	-	-	-
<b>TOTAL REVENUES</b>	<b>780</b>	<b>752</b>	<b>831</b>	<b>831</b>
<b>EXPENDITURES</b>				
Contractual Services	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY)</b>	<b>780</b>	<b>752</b>	<b>831</b>	<b>831</b>
BEGINNING FUND BALANCE	6,068	6,848	7,600	8,431
<b>ENDING FUND BALANCE</b>	<b>6,848</b>	<b>7,600</b>	<b>8,431</b>	<b>9,262</b>

**KEEP THE COLONY BEAUTIFUL**  
**Revenue & Expenditure Projections**  
**Fiscal Year 2017-2018**

	2014-2015 Actual	2015-2016 Actual	2016-2017 Budget	2017-2018 Budget
<b>REVENUES</b>				
Donations	279			
<b>TOTAL REVENUES</b>	<b>279</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TRANSFERS IN</b>				
Transfer In - General Fund	20,000	20,015	20,000	10,000
<b>TOTAL TRANSFERS IN</b>	<b>20,000</b>	<b>20,015</b>	<b>20,000</b>	<b>10,000</b>
<b>TOTAL REVENUES &amp; TRANSFERS</b>	<b>20,279</b>	<b>20,015</b>	<b>20,000</b>	
<b>EXPENDITURES</b>				
Personnel	2,100			
Contractual Services		3,957	20,000	-
Supplies	3,719	-	-	-
Maintenance	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>5,819</b>	<b>3,957</b>	<b>20,000</b>	<b>-</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>5,819</b>	<b>3,957</b>	<b>20,000</b>	<b>0</b>
<b>EXCESS (DEFICIENCY)</b>	<b>14,460</b>	<b>16,058</b>	<b>-</b>	<b>10,000</b>
BEGINNING FUND BALANCE	37,305	51,765	67,823	67,823
<b>ENDING FUND BALANCE</b>	<b>51,765</b>	<b>67,823</b>	<b>67,823</b>	<b>77,823</b>

**COMPREHENSIVE IMPROVEMENT PLAN SUMMARY  
FISCAL YEAR 2017 - 2018**

DEPT	2018	GENERAL DESCRIPTION
FLEET	\$ 10,000	Two posts lift to fit Tahoes and larger vehicles
FLEET	120,000	Refueling Station (Regular Unleaded, 20k gallon above ground tank, 2 refueling points)
CS	45,000	Laserfiche Records Mgmt Module to assist with paper & paperless record retention requirements
HR	12,000	Commit 2 B Fit program administration
HR	29,600	Employee reward/recognition software and awards, Commit 2 B Fit incentives, "You've Been Caught" awards
IT	30,000	Server Replacements for PD & Parks
IT	20,000	Backup storage replacement
FM	20,000	Paint cluster mailboxes
FM	20,000	Purchase computer tablets/lap tops for field supervisors in Public Services, Parks
FM	50,000	Up grade City Works to include Facility Maintenance & Parks & Rec functions
FM	100,000	Conceptual Design Services For City Hall/Library
FM	105,000	Fire Station roll up door change out to bifold+auto shut and other maintenance repairs. Bifold doors are less costly to maintain.
FM	50,000	Animal Control remodel plan
FM	8,000,000	Construction of Fire Station # 4 In TIRZ
FM	121,000	CLAM shells for the traffic light poles on FM423
FM	18,000	School zone flashers
FM	60,000	Pavement marking maintenance for streets and thoroughfares
FM	10,000	Upgrade and maintain Opticom controls at various locations - put in operations budget
FM	15,000	Battery backup for traffic lights - new requirement
FM	15,000	Replace street signs & traffic control signs - put in operations budget
FM	5,000	Upgrade sign poles to breakaway
FM	30,000	Street light maintenance on 423
ENGR	6,000	Trackit App for inspector cell phones - can access permits in field
ENGR	100,000	Erosion control repairs - behind gGod Shepard Church - S. Colony
ENGR	375,000	Residential street & alley reconstruction design services
ENGR	600,000	Taylor Street erosion control construction for drop structure, grading and mitigation (SW Utility funding)
ENGR	200,000	Erosion control repairs at Plano Parkway box culverts (SW Utility funding)
ENGR	90,000	New intersection controls (1 Int/Year)
ENGR	150,000	Westway stormdrain outfall at lake (SW Utility funding)
ENGR	900,000	Memorial Drive intersection at Blair Oaks (possible Denton County funding - \$1.1 MM)
ENGR	380,000	Office Creek headwall repair at Paige (possible Denton County funding)
ENGR	10,000	Add'l funding for the Wastewater Master Plan CIP
ENGR	20,000	Add'l funding for the Water Master Plan CIP
ENGR	325,000	Add SCADA and flowmeter Tribute Lift Station
ENGR	175,000	Add Flowmeter at Austin Ranch Lift Station
FIRE	750,000	Replacement of Engine 11
FIRE	67,600	Replacement 2 cardiac monitor/defibrillators
FIRE	20,200	Knox key storage vaults in all apparatus
FIRE	79,100	Replacement of ambulance patient stretchers
FIRE	33,000	Emergency warning siren for Tribute
PD	180,000	3 squad Cars
PD	55,000	Replace Animal Services truck
PD	10,000	Barrier vest replacements - replace expired vests
PD	25,000	Body cameras
PD	100,000	Tough book replacement cycle
LIB	15,230	Phase 2: RFID materials security & inventory control system: 2nd self-check kiosk
REC	8,000	Gymnasium floor scrubber replacement (current model 2001)
REC	17,500	Gymnasium backboard replacement (all original equipment currently)
PARK	65,000	New Toro batwing mower for additional mowing of practice fields
WD	65,000	F250 replace vehicle #6115 Utility bed
WD	35,000	F150 Meter reader truck
WD	100,000	Replace Sterling dump truck
WD	6,500	EUI2000i with dual lights (work lights)
WD	4,000	Tablets for field operations
WD	75,000	Manhole rehab (lining inside)
WD	120,000	Lining sewer mains that run between houses
WD	10,000	Flush valve replacement - 5 per year \$10K
WW	40,000	Lift station bubblers, grease, hydrogen sulfide, & corrosion control
WW	75,000	6" Portable diesel dry prime waste water pump
WW	4,000	Tablets for field operations
WW	200,000	Master lift station #1 flow meter, eng design & construction install

**COMPREHENSIVE IMPROVEMENT PLAN SUMMARY  
FISCAL YEAR 2107 - 2018**

<b>DEPT</b>	<b>2018</b>	<b>GENERAL DESCRIPTION</b>
WP	16,000	Replace Hach CL 17 chlorine analyzers at Wynnwood PS
WP	55,000	Replace Unit 6120 2006 Ford 3/4 ton pickup with 3/4 ton, utility bed, lift gate
WP	80,000	Prep and paint exterior of ground storage tanks at Office Creek Pump Station.
WP	65,000	Pump Station # 1 Paluxy well equipment: pull and service, replace motor and pump
PW	40,000	3/4 Ton truck with tool box & caution lights (replace unit 359)
PW	60,000	Diesel concrete saw \$35k, slide in hopper sand spreader \$10k, stump grinder/Small Equip \$25k
PW	150,000	Sidewalk repairs in addition to base of \$100,000
PW	200,000	Estimate for Alley repairs
PW	300,000	Street repairs in addition to base of \$400,000
<b>TOTAL</b>	<b>\$ 15,342,730</b>	

**COMPREHENSIVE IMPROVEMENT PLAN SUMMARY  
FISCAL YEAR 2017 - 2018**

DEPT	2018	GENERAL DESCRIPTION
<b>CDC EQUIPMENT / ENHANCEMENTS</b>		
CDC	\$ 9,800	AQP - Replace ADA Handicapped Lift - NOW
CDC	8,500	AQP - Customer Service Kiosk with WiFi
CDC	27,000	AQP - Replace shade structures
CDC	5,200	AQP - Replace Lane Lines
CDC	7,500	Water fountain on shoreline trail
CDC	40,000	Replace Parks truck #554 (2003 Model)
CDC	90,000	Perryman Park Pavilion - replace/relocate pavilion to area closer to playground and outside electric easement
CDC	50,000	Kids Colony Splashpad - Continuation of phased development of Kids Colony Park
CDC	100,000	Practice field upgrades - less repairs due to uncertainty of future facility use
CDC	750,000	Park Loop Trail - Taylor field to North Colony
CDC	1,750,000	Park Loop Trail - North Colony to South Colony Historical Bridge on Electric Easement
CDC	75,000	Bikeway Signage
CDC	40,000	Bike Racks - Business Grant Program & Install in Parks
CDC	125,000	Stewart Creek Park Fishing Pier (added funds needed to supplement Lake Parks Fund)
TOTAL	\$ 3,078,000	
<b>PARK DEDICATION FEE FUNDS</b>		
	\$ 150,000	Preliminary trail design Cascades to Grand Scape (moved from CDC)
TOTAL	\$ 150,000	
<b>LAKE PARKS EQUIPMENT/ENHANCEMENTS</b>		
LP	\$ 180,000	Swim beach relocation
LP	7,500	Drinking Fountain Replacement - SCP Trailhead
LP	135,000	Fishing Pier Design/Expansion/Walkway
TOTAL	\$ 322,500	
<b>COMPREHENSIVE IMPROVEMENT PLAN PERSONNEL SUMMARY FISCAL YEAR 2017 - 2018</b>		
DEPT	2018	GENERAL DESCRIPTION
CDC/GF	\$ 50,350	Project Manager \$51K/yr; includes benefits & equipment (50% CDC, 50% Operating Funds)
CDC	41,835	Maintenance Worker 28,631/yr; \$13.765/hr
TOTAL	\$ 92,185	

PROPOSED MASTER FEE SCHEDULE CHANGES FY 2017/2018

Item	Existing Fee	Proposed Fee	Eff Date
<b>GENERAL</b>			
<b>PLANNING/BUILDING INSPECTIONS</b>			
Electric Permits	\$10 for every \$1,000 value (\$100 minimum)	<b>DELETE PER HB 3329</b>	<b>9/1/2017</b>
<b>FINANCE</b>			
<b>Administrative Fee - Insurance Claims</b>		<b>\$500/each claim</b>	<b>10/01/17</b>
<b>PARKS</b>			
<b>RECREATION</b>			
Parks & Recreation Fees			
Resident Recreation Pass (7 yrs +)	\$10/yr	<b>Change to (all ages)</b>	<b>1/1/18</b>
Resident Recreation Pass (6 yrs -)	\$8/yr	<b>DELETE</b>	<b>1/1/18</b>
Non-resident Recreation Pass (7 yrs +)	\$45/yr	<b>\$20/year (all ages)</b>	<b>1/1/18</b>
Non-resident Recreation Pass (6 yrs -)	\$40/yr	<b>DELETE</b>	<b>1/1/18</b>
Corporate Recreation Center Pass	\$35/yr	<b>DELETE</b>	<b>1/1/18</b>
ID Card Replacement	\$5		
Resident Fitness Center	\$60/yr \$35/6 mos \$25/3mos	<b>DELETE</b>	<b>1/1/18</b>
Non-res Fitness Center	\$85/yr \$55/6mos	<b>DELETE</b>	<b>1/1/18</b>
Senior Citizen Fitness Center Resident	\$10/year	<b>DELETE</b>	<b>1/1/18</b>
Senior Citizen Fitness Center Non-Resident	\$20/Year	<b>DELETE</b>	<b>1/1/18</b>
Corporate Recreation Fitness Center	\$60/yr \$40/6 months	<b>DELETE</b>	<b>1/1/18</b>
<b>Adult Kickball</b>		<b>\$200/team/season</b>	<b>1/1/18</b>
Five Star Lit	\$200/field/day, or \$50/hr - 2 hr min	<b>DELETE</b>	<b>1/1/18</b>
Five Star Unlit	\$185/field/day, or \$50/hr - 2 hr min	<b>DELETE</b>	<b>1/1/18</b>
<b>Five Star Baseball</b>		<b>\$225/field/day, or \$75/hr - 2 hr min</b>	<b>1/1/18</b>
<b>Five Star Baseball - Additional Field Prep</b>		<b>\$25/field/day/prep</b>	<b>1/1/18</b>
<b>Five Star Soccer</b>		<b>\$200/field/day, or \$50/hr - 2 hr min</b>	<b>1/1/18</b>
Tournament Maintenance Crew	\$30/hour/staff member	<b>\$40/hr/staff member</b>	<b>1/1/18</b>
<b>AQUATIC PARK</b>			
Swim Lessons - Coach/train	\$30/1/2 hr	<b>\$35/1/2 hr</b>	<b>1/1/18</b>
Swim Lessons-Private	\$210/4 hr	<b>\$230/4 hrs</b>	<b>1/1/18</b>
Swim Team ( <b>Non profit/min 4 month commitment</b> )	\$7/per lane hour	<b>\$9/per lane hr</b>	<b>1/1/18</b>
<b>Business &amp; Special Event</b>		<b>\$10/lane hr weekday (\$15/lane hr weekend)</b>	<b>1/1/18</b>
Entrance Fees-Kayak & Scuba	\$2.50/hr	<b>DELETE</b>	<b>1/1/18</b>
Family Pass	\$80 (+ ID card if needed)	<b>\$90 (+ ID card if needed)</b>	<b>1/1/18</b>
<b>Summer Pass Sales Promotion</b>		<b>10% Discount if bought before May 1st</b>	<b>1/1/18</b>
Picnic Table Reservation (public swim)	\$25/hr for 2 tables	<b>\$60/afternoon for 2 tables</b>	<b>1/1/18</b>
<b>Splash Zone Picnic Table Reservation (public swim)</b>		<b>\$80/afternoon for 2 tables</b>	<b>1/1/18</b>
Petite Pavilion Reservation (public swim)	\$35/hr	<b>\$100/afternoon for 2 tables</b>	<b>1/1/18</b>
<b>COMMUNITY CENTER</b>			
Resident Rate	\$10/yr	<b>\$10/includes fitness</b>	<b>1/1/18</b>
with pass to fitness room	\$15/yr	<b>DELETE</b>	<b>1/1/18</b>
Non-Resident Rate	\$18/yr	<b>\$20/includes fitness</b>	<b>1/1/18</b>
with pass to fitness room	\$25/yr	<b>DELETE</b>	<b>1/1/18</b>
<b>UTILITY</b>			
Delinquent accounts	2 extensions per fiscal year prior to cut off day Cash/Credit Only	<b>Extension agreements available prior to day of disconnect. If extension agreement is failed, no further extensions for a period of 12 months Cash/Credit/Money Order Only</b>	<b>10/1/17</b>

**2016-2017**

<b>Water Rates</b>			
<i>Inside city</i>		<i>Outside city</i>	
<i>Meter size (inches)</i>	<i>Rate</i>	<i>Meter size (inches)</i>	<i>Rate</i>
5/8	17.85	5/8	26.79
3/4	23.68	3/4	35.52
1	33.56	1	50.35
1 1/2	65.15	1 1/2	97.71
2	108.57	2	162.88
3	167.84	3	251.69
4	261.50	4	392.25
6	588.39	6	882.56
8	1,323.88	8	1,985.80
10	2,978.74	10	4,468.10
Commodity rate (per th. Gallons)		Commodity rate (per th. Gallons)	
2,001-15,000	4.04	2,001-15,000	6.07
15,001-25,000	5.04	15,001-25,000	7.53
25,001-40,000	5.38	25,001-40,000	8.03
40,001 and over	5.86	40,001 and over	8.80
<b>Zone 5 Water Rates</b>			
2,001-15,000	4.63	2,001-15,000	6.66
15,001-25,000	5.63	15,001-25,000	8.12
25,001-40,000	5.97	25,001-40,000	8.62
40,001 and over	6.45	40,001 and over	9.39

**2017-2018**

<b>Water Rates (includes a 3% increase)</b>			
<i>Inside city</i>		<i>Outside city</i>	
<i>Meter size (inches)</i>	<i>Rate</i>	<i>Meter size (inches)</i>	<i>Rate</i>
5/8	18.39	5/8	27.59
3/4	24.39	3/4	36.59
1	34.57	1	51.86
2	111.83	2	167.77
4	269.35	4	404.02
6	606.04	6	909.04
7	882.56	7	1,323.88
8	1,363.60	8	2,045.37
9	1,985.80	9	2,978.74
10	3,068.10	10	4,602.14
Commodity rate (per th. Gallons)		Commodity rate (per th. Gallons)	
2,001-15,000	4.16	2,001-15,000	6.25
15,001-25,000	5.19	15,001-25,000	7.76
25,001-40,000	5.54	25,001-40,000	8.27
40,001 and over	6.04	40,001 and over	9.06
<b>Zone 5 Water Rates</b>			
2,001-15,000	4.77	2,001-15,000	6.86
15,001-25,000	5.80	15,001-25,000	8.36
25,001-40,000	6.15	25,001-40,000	8.88
40,001 and over	6.64	40,001 and over	9.67

**2016-2017**

<b>Sewer Rates</b>			
<i>Inside city</i>		<i>Outside city</i>	
<i>Meter size (inches)</i>	<i>Rate</i>	<i>Meter size (inches)</i>	<i>Rate</i>
5/8	17.29	5/8	25.95
3/4	21.00	3/4	31.54
1	28.46	1	42.70
1 1/2	47.09	1 1/2	70.64
2	69.41	2	104.16
3	121.58	3	182.37
4	196.05	4	294.10
6	501.93	6	752.89
8	1,284.91	8	1,927.35
10	3,289.38	10	4,934.03
Commodity rate (per th. Gallons)		Commodity rate (per th. Gallons)	
Residential(over 2,000 gal)	3.63	Residential(over 2,000 gal)	5.45
Commercial(over 2,000 gal)	4.90	Commercial(over 2,000 gal)	7.33

**2017-2018**

<b>Sewer Rates (includes a 3% increase)</b>			
<i>Inside city</i>		<i>Outside city</i>	
<i>Meter size (inches)</i>	<i>Rate</i>	<i>Meter size (inches)</i>	<i>Rate</i>
5/8	17.81	5/8	26.73
3/4	21.63	3/4	32.49
1	29.31	1	43.98
1 1/2	48.50	1 1/2	72.76
2	71.49	2	107.28
3	125.23	3	187.84
5	313.70	5	470.57
7	802.67	7	1,204.61
9	2,055.84	9	3,083.78
10	3,388.06	10	5,082.05
Commodity rate (per th. Gallons)		Commodity rate (per th. Gallons)	
Residential(over 2,000)	3.74	Residential(over 2,000)	5.61
Commercial(over 2,000)	5.05	Commercial(over 2,000)	7.55



**CITY OF THE COLONY**

**DEBT MANAGEMENT POLICIES**

**September 19<sup>th</sup>, 2017**

**Prepared by the Finance Department**

**Approved by the City Manager  
Confirmed by the City Council on September 19<sup>th</sup>, 2017**

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## I. **PURPOSE**

The Debt Management Policies set forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policies that:

1. The City obtains financing only when necessary.
2. The process for identifying the timing and amount of debt or other financing is as efficient as possible.
3. The most favorable interest rates and lowest costs of issuance are obtained.
4. The City strives to maintain flexibility for future debt issuances.

## II. **RESPONSIBILITY**

The primary responsibility for developing financing recommendations rests with the City Manager. In developing the recommendations, the City Manager shall be assisted by the Assistant City Manager and the Finance Director and their responsibilities shall be to:

1. Meet periodically to consider the need for financing and assess progress on the Capital Improvement Program.
2. Meet as necessary in preparation for financing.
3. Review changes in state and federal legislation.
4. Review annually the provisions of ordinances authorizing issuance of obligations.
5. Annually review services provided by the Financial Advisor, Bond Counsel, Paying Agent and other service providers to evaluate the extent and effectiveness of services provided.

Every February, under the direction of the Assistant City Manager, Departments will submit Capital Projects for the Capital Improvement Program. The report shall be prepared by the Finance Director and be based in part on information from the department directors in the City and shall include a projection of near term financing needs compared to available resources, an analysis of the impact of contemplated financings on the property tax rate and user charges, and a financing recommendation.

In developing financing recommendations, city management shall consider the following:

1. The amount of time proceeds of obligations are expected to remain on hand and the related carrying cost.
2. The options for interim financing including short term and interfund borrowing, taking into consideration federal and state reimbursement regulations.
3. The effect of proposed action on the tax rate and user charges.
4. Trends in interest rates.
5. Other factors as appropriate.

### A. **Bond Counsel Involvement**

The Bond Counsel will issue an opinion as to the legality and tax-exempt status of any obligations. The City will also seek the advice of Bond Counsel on all other types of financings and on any other questions involving federal tax or arbitrage law.

The Bond Counsel is also responsible for the preparation of the ordinance authorizing issuance of obligations, and all of the closing documents to complete their sale and delivery, and will perform other services as defined by the contract approved by the City Council.

**B. Financial Advisor Involvement**

The City will seek the advice of the Financial Advisor when necessary. The Financial Advisor will advise on the structuring of obligations to be issued, informs the City of various options, advise the City as to how choices will impact the marketability of City obligations and will provide other services as defined by contract approved by the City Council. Financial Advisor will be able to bid on any City competitive debt issues if approval is given by the City. The Financial Advisor will inform the City Manager of significant issues.

**III. SHORT TERM DEBT**

**A. General**

When appropriate, the city may consider short-term obligations. Some forms of short-term obligations can be obtained quicker than long-term obligations and thus can be used in emergencies until long-term financing can be obtained. In some cases when the amount of financing required in the immediate future is relatively small, it may be cheaper for the City to issue a small amount of short-term obligations to provide for its immediate needs, than to issue a larger amount of long-term obligations to provide financing for both immediate, and future needs when the carrying costs of issuing obligations, which are not immediately needed are taken into account.

The amount of short-term obligations due to mature in a year shall not exceed 5% of the aggregate principal amount of outstanding long-term debt.

**IV. LONG TERM DEBT**

**A. General**

Long-term obligations will not be used for operating purposes, and the life of the obligations will not exceed the useful life of the projects financed.

A resolution of intent to issue bonds or other debt obligations authorizing staff to proceed with preparations shall be presented for the consideration of the City Council when capital projects are identified. This provision may be waived in the event of emergencies or other good cause.

Debt service structure will approximate level debt service unless operational matters dictate otherwise.

The cost of issuance of private activity bonds is usually higher than for governmental purpose bonds. Consequently, private activity bonds will be issued only when they will economically benefit the City.

The cost of taxable debt is higher than the cost of tax-exempt debt. However, the issuance of taxable debt is mandated in some circumstances, and may allow valuable flexibility in subsequent contracts with users or managers of the improvement constructed with the bond proceeds. Therefore, the City will usually issue obligations tax-exempt, but may occasionally issue taxable obligations.

**B. Bonds**

Long-term general obligation or revenue bonds may be issued to finance significant capital improvements. If required by state law or charter, an election will be held to authorize such obligations.

Bonds will have a maximum repayment term of 25 years or less. When cost/beneficial, and when permitted under applicable ordinances, the City may consider the use of surety bonds, lines of credit, or similar instruments to satisfy reserve requirements.

**C. Certificates of Obligation**

Certificates of Obligation may be issued to finance permanent improvements, land acquisition, and other public purposes. The life of certificates of obligation issued to finance equipment shall match to the extent possible the useful life of the equipment, which is usually three to five years.

Certificate of Obligations will be secured by a tax pledge and/or a revenue pledge, as required by law and as determined to be in the best interest of the City. Some revenues are restricted as to the uses for which they may be pledged. Water and wastewater revenues may be pledged without limit.

**D. Public Property Finance Contractual Obligation**

Public property finance contractual obligations may be issued to finance the acquisition of personal property. The life of the contractual obligations issued to finance personal property shall match the useful life of the personal property.

**E. Anticipation Notes**

Anticipation Notes may be used to finance projects or acquisition that could also be financed with Certificates of Obligation.

Anticipation Notes may be secured and repaid by a pledge of revenue, taxes, a combination of revenue and taxes or the proceeds of a future debt issue. Anticipation Notes are authorized by an ordinance adopted by the City.

Anticipation Notes have several restrictions, which include:

1. Anticipation Notes issued for general purposes must mature before the seventh anniversary of the date the Attorney General approves the issue.
2. A governing body may not issue Anticipation Notes that are payable from bond proceeds unless the proposition authorizing the issuance of the bonds has already been approved by the voters and the proposition states that anticipation notes may be issued.

**F. Negotiated versus Competitive Sale versus Private Placement**

When feasible and economical, obligations shall be issued by competitive sale rather than negotiated sale. A sale may be negotiated when the issue is predominantly a refunding issue or in other non-routine situations, which require more flexibility than a competitive sale allows. In addition, market volatility may necessitate a negotiated sale. Whenever the option exists to offer an issue either for competitive sale or for negotiated sale, analysis of the options shall be performed to aid in the decision making process. When a sale is not competitively bid, the City will participate with the Financial Advisor in the selection of the underwriter or direct purchaser.

The criteria used to select a winning bidder in a competitive sale shall be the true interest cost. In a negotiated sale, the underwriter may be selected through a request for proposals (RFP). The criteria used to select an underwriter in a negotiated sale should include the following:

1. Overall experience
2. Marketing philosophy
3. Capability
4. Previous experience with the City as managing or co-managing underwriter
5. Financial Statement
6. Public Finance team and resources
7. Breakdown of underwriter's discount
  - a. Management fee – compensation to the underwriter for their work in structuring the issue.
  - b. Underwriting fee – compensation to the underwriter for using their capital to underwrite the bonds.
  - c. Average takedown – the portion of the underwriter's discount used to pay the sales force.
  - d. Expenses – administrative costs such as underwriter's counsel and administrative fees.

In a negotiated underwriting, the sale will be, to the extent appropriate, negotiated with a consortium of underwriting firms, to preserve some of the benefits of competition.

When cost/beneficial, the City may privately place its debt. Since no underwriter participates in a private placement, it may result in lower cost of issuance. Private placement is sometimes an option for small issues. The opportunity may be identified by the Financial Advisor.

**G. Bidding Parameters**

The notice of sale will be carefully constructed to ensure the best possible bid for the City, in light of existing market conditions and other prevailing factors. Parameters to be examined include:

1. Limits between lowest and highest coupons
2. Coupon requirements relative to the yield curve
3. Method of underwriter compensation, discount or premium coupons
4. Use of true interest cost (TIC) versus net interest cost (NIC)
5. Use of bond insurance
6. Deep discount bonds
7. Variable rate bonds
8. Call provisions

**H. Bond Elections**

Before a bond election, the City Manager and City Councilmembers will be provided with competent debt capacity analyses, tax and user fee impact projections and other information as directed by the City Manager's Office. The Bond Counsel and Financial Advisor will provide support during the process.

**V. REFUNDING**

The City shall consider refunding debt whenever an analysis indicates the potential for present value savings or the city's needs to restructure its debt payments.

As a general rule, private activity bonds may be refunded in a current refunding only.

**VI. CAPITAL LEASING**

Capital leasing is an option for the acquisition of a piece or package of equipment costing less than \$1,000,000.

Leasing shall not be considered when funds are on hand for the acquisition unless the interest expense associated with the lease is less than the interest that can be earned by investing the funds on hand or when other factors such as budget constraints or vendor responsiveness override the economic consideration.

Whenever a lease is arranged with a private sector entity, a tax-exempt rate shall be sought. Whenever a lease is arranged with a government or other tax-exempt entity, the



City shall strive to obtain an explicitly defined taxable rate so that the lease will not be counted in the City's total annual borrowings subject to arbitrage rebate.

The lease agreements shall permit the City to refinance the lease at no more than reasonable cost should the City decide to do so. A lease, which can be called at will, is preferable to one, which can merely be accelerated.

Since the market for lease financings is relatively inefficient, the interest rates available at any one time may vary widely. Therefore, the City shall attempt to obtain at least three competitive proposals for any major lease financing. The net present value of competitive bids shall be compared; taking into account whether payments are in advance or in arrears, and how frequently, payments are made. The purchase price of equipment shall be competitively bid as well as the financing cost.

The advice of the City's Bond Counsel shall be sought in any leasing arrangement and when federal tax forms 8038 are prepared to ensure that all federal tax laws are obeyed.

The City may consider issuing certificates of participation to finance a very large project. Care should be taken because financing costs may be greater than for other types of financing. When possible, the lease agreement will be backed with a tax pledge.

If the City is obligated to make payment, more than a year in the future then the agreement will probably be considered debt by the State. However, if the payments are subject to annual appropriation by the City Council, then they may not.

## **VII. OTHER TYPES OF FINANCING**

From time to time, other types of financing may become available. Examples of these options are debt pools with other entities and low-interest loans from State Agencies such as the Texas Water Development Board. The Finance Director will prepare a written analysis of an option, with the advice of the City's Bond Counsel and Financial Advisor.

## **VIII. RATIOS AND RESERVES**

The portion of the City's property tax levied for debt service shall not exceed 40% of the total tax rate levied each year even though the Texas Attorney General's Office, in its review of bonds or other obligations secured by Ad Valorem Taxes, generally imposes a limit of \$1.50 for debt service for cities with a \$2.50 maximum tax rate. However, the City is obligated to levy an Ad Valorem Tax sufficient to provide for the timely payments of its debt obligations secured by Ad Valorem Taxes.

The City will maintain net revenues equaling to at least 1.10 times the maximum annual principal and interest requirement and 1.25 times the average annual principal and interest requirements of all parity bonds outstanding in the Water and Wastewater Fund.

For water and sewer, and other types of revenue bonds, the bond documents will designate the reserve fund amount if a reserve fund is to be established.

When revenue supported debt is issued, a debt service reserve or similar alternative may be established. The requirements for and source of the reserve will be determined on a case-by-case basis.

## IX. **OFFICIAL STATEMENT**

The Official Statement is the disclosure document prepared by or on behalf of the City for an offering of securities.

### A. **Responsibility**

The preparation of the Official Statement is the responsibility of the Finance Director with the help of the Financial Advisor. Information for the Official Statement is gathered from departments/divisions throughout the City.

### B. **Timing**

The Finance Director will begin assembling the information needed to update the Official Statement before the offering of debt. Audited financial statement information is expected in March. As soon as it is available, audited financial statement information and capital budget information will be incorporated.

If the next anticipated bond sale is expected to be more than twelve months after fiscal year end, then the prior year's audited financial statement information may be updated using unaudited figures.

The Financial Advisor shall begin preparing the Official Statement at least eight weeks prior to an anticipated bond issuance. Subsequent timing will generally be as follows:

1. The first draft of the preliminary Official Statement takes approximately 2 weeks to create.
2. Copies of the first draft are provided to the City's Bond Counsel and City Staff, who will review it for 2 weeks. In the case of a negotiated sale, the underwriter's counsel will also be asked for comments.
3. Comments from reviewers should be submitted during the two-week review period. About 1 week will be required to make the requested changes. After they have been made, the Official Statement is either sent to print or subjected to a second review.
4. During the printing process or the second review, a copy of the draft Official Statement is sent to the rating agencies for their review.
5. The preliminary Official Statement should be completed and mailed or electronically distributed to underwriters 2 weeks prior to the bond sale date. The preliminary document will be titled "preliminary" with red printed disclosure language and will be called a "red herring".

6. After interest rates have been accepted by the City Council, the final Official Statement must be prepared and distributed to the underwriter within seven business days of the date of sale.

C. **Auditor's Involvement**

The City will include a review of its Official Statement in the contract for services with its external auditor if required.

D. **Printing**

The Financial Advisor may print the Official Statement for the City.

X. **RATINGS**

The City's goal is to maintain or improve its bond ratings. To that end, prudent financial management policies will be adhered to in all areas.

Full disclosure of operations will be made to the bond rating agencies. The City staff, with the assistance of the Financial Advisor and Bond Counsel, will prepare the necessary materials for presentation to the rating agencies.

The City may choose to use Fitch Ratings, Moody's or Standard and Poor's. The City shall maintain a line of communications with those rating agencies (Moody's, Standard and Poor's, or Fitch), informing them of major financial events in the City as they occur. The Comprehensive Annual Financial Report shall be distributed to the rating agencies after it has been accepted by the City Council.

The rating agencies will also be notified either by telephone or through written correspondence when the City begins preparation for a debt issuance. After the initial contact, a formal ratings application will be prepared and sent along with the draft of the Official Statement relating to the bond sale to the rating agencies. This application and related documentation should be sent several weeks prior to the bond sale to give the rating agencies sufficient time to perform their review.

A personal meeting with representatives of the rating agencies will be scheduled every few years or whenever a major project is initiated.

XI. **CREDIT ENHANCEMENTS**

Credit enhancements are mechanisms that guarantee principal and interest payments. They include bond insurance and a line or letter of credit. Credit enhancement will usually bring a lower interest rate on debt and a higher rating from the rating agencies, thus lowering overall costs.

During debt issuance planning, the Financial Advisor will advise the City whether or not a credit enhancement is cost effective under the circumstances and what type of credit enhancement, if any, should be purchased. In a negotiated sale, bids will be taken during the period prior to the pricing of the sale. In a competitive sale, the bidder may purchase bond insurance if the issue qualifies for bond insurance.

## **XII. SECONDARY MARKET DISCLOSURE**

SEC 15c2-12 regulations became effective July 3, 1995. The new regulation requires municipal debt issuers to provide specified financial and operating information for fiscal years beginning on January 1, 1996, or later. The information provided should mirror the information provided in an official statement at the time of a primary offering.

The annual financial information is to be sent to all Nationally Recognized Municipal Information Depositories (NRMSIRs) designated by the SEC. Additionally, issuers must notify the State Information Depositories (SIDs) if one exists.

In addition to the financial and operating information, any material event must be provided to all NRMSIRs, Municipal Securities Rulemaking Board (MSRB) and to the state SID's. Municipal debt issuers will be obligated to provide ongoing disclosure on the status of the following material events:

1. Principal and interest payment delinquencies
2. Non-payment-related defaults
3. Unscheduled draws on reserves
4. Unscheduled draws on credit enhancements
5. Substitution of credit or liquidity providers, or the failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to rights of security holders
8. Bond calls
9. Defeasances
10. Matters affecting collateral
11. Rating changes

The Finance Director will be designated "Compliance Officer" for disclosure requirements. Levels of reporting will include:

1. Notification by certified mail to NRMSIRs, and SID's of material events, with copies to the City Council
2. Copies of CAFR and updated tables from the Official Statement to NRMSIRs and SIDs within six months of fiscal year end.

## **XIII. ARBITRAGE LIABILITY MANAGEMENT**

It is the City's policy to minimize the cost of arbitrage rebate and yield restrictions while strictly complying with the law.

### **A. General**

Federal arbitrage legislation is intended to discourage entities from issuing tax-exempt obligations unnecessarily. In compliance with the spirit of this legislation, the City will not issue obligations except for identifiable projects with very good prospects of timely initiation. Obligations will be issued as closely in time as feasible to the time contracts are expected to be awarded so that they will be spent quickly.

**B. Responsibility**

Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the advice of Bond Counsel and other qualified experts will be sought whenever questions about arbitrage rebate regulations arise. The City contracts outside consultants for arbitrage rebate services.

The Accounting Manager will be responsible for identifying the amount of unspent debt proceeds including interest which is on hand and will be responsible for ensuring that, to the extent feasible, the oldest proceeds on hand are spent first.

The consultants will maintain a system for computing and tracking the arbitrage rebate liability. The consultants will notify the City within 60 days of year-end of the amount of accrued liability. The consultants will also be responsible for notifying the City two months in advance of when a rebate of excess arbitrage earnings is due to the Internal Revenue Service.

The City's Bond Counsel and Financial Advisor may be requested to review in advance any arbitrage rebate payments and forms sent to the Internal Revenue Service.

The expenditure of obligation proceeds will be tracked in the financial accounting system by type of issue. Investments will be pooled for financial accounting purposes and may, at the discretion of the Finance Director, be pooled for investment purposes. When investments of bond proceeds are co-mingled with other investments, the City shall adhere to the Internal Revenue Service rules on accounting allocations.

Arbitrage rebate costs shall be charged as negative interest revenue to the funds in which the related obligation proceeds were originally deposited.

**C. Internal Interim Financing**

In order to defer the issuance of obligations, when sufficient non-restricted reserve funds are on hand, consideration shall be given to appropriating them to provide interim financing for large construction contracts or parts of contracts. When the appropriations are subsequently re-financed with proceeds of obligations or other resources, the non-restricted reserve funds shall be repaid.

When expenditures are reimbursed from debt issuances, applicable state law and the Internal Revenue Service rules on reimbursements will be complied with so that the reimbursements may be considered expenditures for arbitrage purposes. Requirements are in general:

1. The City shall declare its intention to reimburse expenditure with debt proceeds before paying the expenditure, and will exclude cost of issuance.
2. Reimbursement bonds must be issued and the reimbursement made within eighteen months after the expenditure was made or the property financed by the expenditure was placed in service, whichever is later.
3. The expenditure to be reimbursed must be a capital expenditure.

**D. Spend-Out Exceptions For Federal Rebate**

Arbitrage rebate regulations provide certain spending exceptions to the imposition of Federal rebate obligations. One such safe harbor applies to obligations issued for construction if certain rules are adhered to and the proceeds are spent within two years. Other such exceptions apply to expenditures of proceeds within 6 months or eighteen months. These options should be considered when circumstances indicate the City will with certainty be successful in achieving a spend-out goal. Such circumstances may include, but are not limited to the following:

1. Obligations are issued to finance a variety of small construction projects, not large projects that might be unexpectedly delayed after the issuance. In addition, project management understands the requirements and is firmly committed to achieving the spend-out goal.
2. Obligations are issued for a single, large high priority project with a relatively short construction period and there is a high level of commitment to speedy completion.

When the two-year spend-out option is elected, debt will be issued for an estimated one year of expenditures to provide for unexpected delays of up to a year without incurring penalties.

The exercise of the spend-out options will always be coordinated with Bond Counsel and the Financial Advisor. The city shall coordinate with Bond Counsel and the Financial Advisor regarding the proper elections to be made in connection therewith.

**XIV. MODIFICATIONS TO POLICIES**

Management staff will review these policies annually and significant changes may be made with the approval of the City Manager. Significant policy changes will be presented to the City Council for confirmation.

**CITY OF THE COLONY**

**FINANCIAL MANAGEMENT POLICIES**

**SEPTEMBER 19, 2017**

**Prepared by the Finance Department**

**Confirmed by the City Council on September 19<sup>th</sup>, 2017**

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## I. PURPOSE STATEMENT

These policies are developed by the City Manager to guide the Finance Director, and staff in financial matters. The overriding goal of the Financial Management Policies is to enable the City to achieve a long-term stable and positive financial condition while conducting its operations consistent with the council-manager form of government established in the City Charter. The watchwords of the City's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.

The purpose of the Financial Management Policies is to provide guidelines for the financial management staff in planning and directing the City's day-to-day financial affairs and in developing recommendations to the City Manager.

The scope of the policies spans accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash management, expenditure control, and debt management.

## II. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

- A. **ACCOUNTING** – The City's Assistant Finance Director is responsible for establishing the chart of accounts, and for properly recording financial transactions.
- B. **FUNDS** - Self-balancing groups of accounts are used to account for City financial transactions in accordance with generally accepted accounting principles. Each fund is created for a specific purpose except for the General Fund, which is used to account for all transactions not accounted for in other funds. Funds are created and fund names are changed by City Council approval through resolution either during the year or in the City Council's approval of the annual operating budget ordinances.
- C. **EXTERNAL AUDITING** – The City will be audited annually by outside independent auditors. The auditors must be a CPA firm capable to demonstrate that they have the breadth and depth of staff to conduct the City's audit in accordance with generally accepted auditing standards, generally accepted government auditing standards, and contractual requirements. The auditors' report on the City's financial statements including federal grants single audit when required, will be completed within 120 days of the City's fiscal year end, and the auditors' management letter will be presented to the City staff within 150 days after the City's fiscal year end. An interim management letter will be issued prior to this date if any materially significant internal control weaknesses are discovered. The City staff and auditors will jointly review the management letter with the City Council within 60 days of its receipt by the staff.

- D. **EXTERNAL AUDITORS RESPONSIBLE TO CITY COUNCIL** – The external auditors are accountable to the City Council and will have access to direct communication with the City Council if the City staff is unresponsive to auditor recommendations or if the auditors consider such communication necessary to fulfill their legal and professional responsibilities.

The City Council may conduct closed session annually with the auditors present without the presence of City staff. Such meeting shall be conducted in accordance with the Open Meetings Act.

- E. **EXTERNAL AUDITOR ROTATION** – The City will not require external auditor rotation, but will circulate requests for proposal for audit services periodically, normally at five-year intervals.
- F. **EXTERNAL FINANCIAL REPORTING** – The City will prepare and publish a Comprehensive Annual Financial Report (CAFR). The CAFR will be prepared in accordance with generally accepted accounting principles, and will be presented annually to the Government Finance Officers Association (GFOA) for evaluation and awarding of the Certification of Achievement for Excellence in Financial Reporting. The CAFR will be published and presented to the City Council within 120 days after the end of the fiscal year. City staffing limitations may preclude such timely reporting. In such case, the Finance Director will inform the City Manager and the City Manager will inform the City Council of the delay and the reasons therefore.
- G. **INTERNAL FINANCIAL REPORTING** - The Finance Department will prepare internal financial reports sufficient for management to plan, monitor, and control the City's financial affairs. Internal financial reporting objectives are addressed throughout the policies.

### III. INTERNAL CONTROLS

- A. **WRITTEN PROCEDURES** – The Finance Director is responsible for developing citywide written guidelines on accounting, cash handling, and other financial matters, which will be approved by the City Manager.

The Finance Department will assist department directors as needed in tailoring these guidelines into detailed written procedures to fit each department's requirements.

- B. **DEPARTMENT MANAGERS RESPONSIBLE** – Each department director is responsible to the City Manager to ensure that good internal controls are followed throughout his or her department, that all guidelines on accounting and internal controls are implemented, and that all independent auditor internal control recommendations are addressed.

#### IV. OPERATING BUDGET

- A. **PREPARATION** – The City's "Operating Budget" is the City's annual financial operating plan. It consists of governmental and proprietary funds, including the general obligation and revenue supported Debt Service Funds, but excluding Capital Projects Funds. The budget is prepared by the Finance Department with the cooperation of all City departments, and is submitted to the City Manager who makes any necessary changes and transmits the document to the City Council.

The preliminary budget should be filed with the City Secretary's office on or before July 31<sup>st</sup> each fiscal year, and presented to the City Council. Thereafter, the final budget should be enacted by the City Council prior to fiscal year end. The operating budget shall be submitted to the GFOA annually for evaluation and awarding of the Award for Distinguished Budget Presentation.

- B. **BALANCED BUDGET** – The operating budgets will be balanced, with current revenues, and prior year surpluses greater than or equal to current expenditures/expenses except a rainy day fund reserve of sixty (60) days.
- C. **PLANNING** – The budget process will be coordinated to identify major policy issues for City Council's consideration several months prior to the budget approval date.
- D. **REPORTING** – Periodic financial reports will be prepared to enable the department directors to manage their budgets and to enable the Finance Department to monitor and control the budget as authorized by the City Council. Summary financial reports will be presented to the City Council each month within four weeks after the month end. Such reports will include current year revenue and expenditures in comparison to budget and prior year actual revenues and expenditures.
- E. **CONTROL** – Operating Expenditure Control is addressed in another section of the Policies.
- F. **PERFORMANCE MEASURES AND PRODUCTIVITY INDICATORS** – Where appropriate, performance measures and productivity indicators will be used as guidelines and reviewed for efficiency and effectiveness. This information will be included in the annual budgeting process.

#### V. CAPITAL IMPROVEMENT PROGRAM

- A. **PREPARATION** – The City's Capital Improvement Program will include all capital projects. The Capital Improvement Plan will be prepared annually on a fiscal year basis. The Capital Improvement Plan will be reviewed annually by the City Council.

The Capital Improvement Plan will be prepared by the Finance Department with the involvement of all City departments.

- B. **CONTROL** – All capital project expenditures must be approved by City Council. The Finance Department must ensure the availability of resources before a capital project contract is presented by the City Manager to the City Council for approval.

- C. **PROGRAM PLANNING** – The Capital Improvement Plan will include capital improvements program plans for future years. The planning time frame should normally be at least five years. The replacement and maintenance for capital items should also be projected for the next 5 years. Future maintenance and operations will be fully costed, so that these costs can be considered in the operating budget.
- D. **ALTERNATE RESOURCES** – Where applicable, assessments, impact fees, or other user-based fees should be used to fund capital projects, which have a primary benefit to certain property owners.
- E. **DEBT FINANCING** – Recognizing that debt is usually a more expensive financing method, alternative financing sources will be explored before debt is issued. When debt is issued, it will be used to acquire major assets with expected lives, which equal or exceed the average life of the debt issued. The exceptions to this requirement are the traditional costs of marketing and issuing the debt, capitalized labor for design and construction of capital projects, and small component parts which are attached to major equipment purchases.
- F. **STREET MAINTENANCE** – The City recognizes that deferred street maintenance increases future capital costs by an estimated 5 to 10 times. Therefore, a portion of the General Fund Budget and/or debt issuances may be set aside each year to maintain the quality of streets. The amount will be established annually so that repairs will be made.
- G. **WATER/WASTEWATER MAIN REHABILITATION AND REPLACEMENT** – The City recognizes that deferred water/wastewater main rehabilitation and replacement increases future costs due to loss of potable water from water mains and inflow and infiltration into wastewater mains. Therefore, to ensure that the rehabilitation and replacement program is adequately funded, the City may annually appropriate an amount to provide for a water and wastewater main repair and replacement program.
- H. **WATER AND WASTEWATER SPECIAL PROJECTS** – A special fund will be maintained for water and wastewater capital projects. The fund will be funded with operating surpluses, interest earnings, and transfers from water and wastewater operations. As soon as practicable, after each fiscal year end when annual operating results are known, any Water/Wastewater Fund operating surplus in excess of budget which is not required to meet ending resources requirements, may be transferred to the Special Projects Fund with the approval of the City Council. The fund will be used for funding water/wastewater main rehabilitation and replacement, for major capital outlay, and for unplanned projects.
- I. **REPORTING** – Periodic financial reports will be prepared to enable the department managers to manage their capital budgets and to enable the Finance Department to monitor the capital budget as authorized by the City Council.

## VI. REVENUE MANAGEMENT

- A. **SIMPLICITY** – The City will strive to keep the revenue system simple, which will result in a decrease of compliance costs for the taxpayer or service recipient and a

corresponding decrease in avoidance to pay. The City will avoid nuisance taxes, fees, or charges as revenue sources.

- B. **CERTAINTY** – An understanding of the revenue source increases the reliability of the revenue system. The City will enact consistent collection policies for its revenues so that assurances can be provided that the revenue base will materialize according to budgets and plans.
- C. **EQUITY** – The City will strive to maintain equity in the revenue system structure. That is, the City will seek to minimize or eliminate all forms for subsidization between entities, funds, services, utilities, and customers. However, it is recognized that public policy decisions may lead to subsidies in certain circumstances, e.g., senior citizen property tax exemptions or partial property tax abatement.
- D. **ADMINISTRATION** – The benefits of revenue will exceed the cost of producing the revenue. The cost of collection will be reviewed annually for cost effectiveness. Where appropriate, the City will use the administrative processes of State or Federal collection agencies in order to reduce administrative costs.
- E. **REVENUE ADEQUACY** – The City will require that there be a balance in the revenue system. That is, the revenue base will have the characteristic of fairness and neutrality as it applies to cost of service, willingness to pay, and ability to pay.
- F. **COST/BENEFIT OF ABATEMENT** – The City will use due caution in the analysis of any tax, fee, or water and wastewater incentives that are used to encourage development. Ideally, a cost/benefit (fiscal impact) analysis will be performed as a part of such analysis.
- G. **DIVERSIFICATION AND STABILITY** – In order to protect the government from fluctuations in revenue source due to fluctuations in the economy, and variations in weather, (in the case of water and wastewater), a diversified revenue system will be maintained.
- H. **NON-RECURRING REVENUES** – One-time revenues will not be used for ongoing operations. Non-recurring revenues will be used only for non-recurring expenditures. Care will be taken not to use these revenues for budget balancing purposes.
- I. **PROPERTY TAX REVENUES** – Property shall be assessed at 100% of the fair market value as appraised by the Denton Central Appraisal District. Reappraisal and reassessment shall be done regularly as required by State law.

All delinquent taxes will be aggressively pursued, with delinquents greater than 150 days being turned over to the City Attorney or a private attorney, and a penalty assessed to compensate the attorney as allowed by state law, and in accordance with the attorney's contract.

- J. **USER-BASED FEES** – For services associated with a user fee or charge, the direct and indirect costs of that service will be offset by a fee where possible. There will be a periodic review of fees and charges to ensure that fees provide adequate coverage of costs of services. User charges may be classified as "full cost recovery,"

“partial cost recovery,” and “minimal cost recovery,” based upon City Council policy.

- K. **IMPACT FEES** – Impact fees are currently imposed for water, wastewater, roadway, and drainage in accordance with applicable city ordinances and State Law. Impact fees will be re-evaluated at least every five years as required by law.
- L. **GENERAL AND ADMINISTRATIVE CHARGES** – A method will be maintained whereby the General Fund can impose a charge to the enterprise funds or special revenue funds for general and administrative services (indirect costs), performed on their behalf. The details will be documented in the annual budget process in the form of transfers between funds.
- M. **UTILITY RATES** – The City will review utility rates periodically, and if necessary, adopt new rates that will generate revenues required to fully cover operating expenditures, meet the legal restrictions of all applicable bond covenants, provide for an adequate level of working capital needs and debt service requirements. This policy does not preclude drawing down cash balance to finance current operations. However, it is best that any extra cash balance be used instead to finance capital projects.
- N. **INTEREST INCOME** – Interest earned from investment of available monies, whether pooled or not, will be distributed to the funds in accordance with the average monthly cash balances.
- O. **REVENUE MONITORING** – Revenues actually received will be regularly compared to budgeted revenues and variances will be investigated. This process will be summarized in the appropriate budget report.

## VII. EXPENDITURE CONTROL

- A. **APPROPRIATIONS** – The level of budgetary control is the department level in the General Fund, Parks Fund, and Utility Fund and the fund level in all other funds. When budget adjustments (i.e., amendments) between departments and/or funds are necessary, these must be approved by the City Council. Budget appropriation amendments at lower levels of control shall be made in accordance with the applicable administrative procedures.
- B. **CONTINGENCY ACCOUNT EXPENDITURES** – The City Council must approve all contingency account expenditures of \$50,000 or more, as discussed under Purchasing.
- C. **PURCHASING** – All purchases shall be in accordance with the City’s Purchasing Policies.
- D. **PROFESSIONAL SERVICES** – Professional services will generally be processed through a request for proposal process, except for smaller contracts. The City Manager may execute any professional services contract for less than \$50,000 provided there is an appropriation for such contract.



- E. **PROMPT PAYMENT** – All invoices will be paid within 30 days of receipt of goods and services or receipt of invoices, whichever is later in accordance with the prompt payment requirements of state law. Procedures will be used to take advantage of all purchase discounts where considered cost effective. However, payments will also be reasonably delayed in order to maximize the City's investable cash, where such delay does not violate the agreed upon payment terms.
- F. **EQUIPMENT FINANCING** – Equipment may be financed when the useful life is at least three years. Vehicles to be replaced are identified and evaluated every year during the budget process. Depending on available resources, financing may be made by debt issuance rather than from the General Fund and Utility Fund accounts.
- G. **INFORMATION TECHNOLOGY** – Certain information technology acquisitions will be funded in the Information Technology Department's budget or by debt issuance. Acquisitions may include all related professional services costs for researching and/or implementing an information technology project. Lease cost is also an eligible expense.

#### VIII. ASSET MANAGEMENT

- A. **INVESTMENTS** – The City's investment practices will be conducted in accordance with the City Council approved Investment Policies.
- B. **CASH MANAGEMENT** – The City's cash flow will be managed to maximize the cash available to invest. A monthly report is provided by the Finance Director to the Assistant City Manager for presentation to the City Council.
- C. **FIXED ASSETS AND INVENTORY** – These assets will be reasonably safeguarded and properly accounted for, and prudently insured.

#### IX. FINANCIAL CONDITION AND RESERVES

- A. **NO OPERATING DEFICITS** – Current expenditures will be paid with current revenues and prior year surplus. Deferrals, short-term loans, or one-time sources will be avoided as budget balance techniques. Reserves will be used only for emergencies or non-recurring expenditures, except when balances can be reduced because their levels exceed guideline minimums.
- B. **INTERFUND LOANS** - Non-routine interfund loans shall be made only in emergencies where other temporary sources of working capital are not available and with the approval of the City Council. At the time an interfund loan is considered, a plan to repay it prior to fiscal year end shall also be considered.

A fund will only lend money that it will not need to spend in the immediate future. A loan may be made from a fund only if the fund has ending resources in excess of the minimum requirement for the fund. Total interfund loans outstanding from a fund shall not exceed 15% of the target fund balance for the fund. If any interfund

loan is to be repaid from the proceeds of a future debt issue, a proper reimbursement resolution will be approved at the time the loan is authorized.

- C. **OPERATING RESERVES** – in accordance with GASB-54, it is the policy of the City of The Colony to classify fund balances as Non-spendable, Restricted, Committed, Assigned, or Unassigned and develop policy for establishment and activity of each classification. Non-spendable fund balance is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact as an endowment. Restricted fund balance consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources. Committed fund balances are self-imposed limitations set in place prior to the end of the fiscal year. These amounts can be used only for specific purposes determined by a formal action of the City Council and require the same level of formal action to remove the constraint. Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council. The purpose of the assignment must be narrower than the purpose of the General Fund. Additionally, this category is used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year's budget. Unassigned fund balance represents the residual classification of fund balance and includes all spendable amounts not contained within other classifications. Restricted, Committed, and Assigned fund balance expenditures require prior Council approval.

(1) Policy on Committing Funds:

It is the policy of the City of The Colony that fund balance amounts will be reported as "Committed Fund Balance" only after formal action and approval by City Council. The action to constrain amounts in such a manner must occur prior to year-end; however, the actual dollar amount may be determined in a subsequent period. After approval by the City Council, the amount reported a Committed Fund Balance cannot be reversed without Council approval.

(2) Policy of Assigning Funds:

Funds that are intended to be used for a specific purpose but have not received the formal approval by Council may be recorded as Assigned Fund Balance. It is the policy of the City of The Colony that fund balance amounts will be reported as "Assigned Fund Balance" only after the City Manager has assigned those amounts based on intentions for use of the City Council.

(3) Policy on Unassigned General, Parks, and Utility Fund balances:

It is the goal of the City to achieve and maintain an unassigned General Fund, Parks Fund, and Utility Fund balance equal to 60 days of expenditures. The required minimum fund balance of 60 days of expenditures is to provide working

capital needs in emergencies. The 60 days fund balance is considered as committed fund balance in the General Fund and is approved by the City Council via the resolution adopting this policy. To the extent reasonably possible, in the event that the General fund balance is drawn down below the target level, it will be replenished by the following fiscal year.

(4) Order of fund expenditure

When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted category of funds. Normally, this will result in the use of committed, then restricted, and lastly, unassigned fund balances.

Failure to meet these standards will be disclosed to the City Council as soon as the situation is recognized and a plan to replenish the ending resources over a reasonable time frame shall be adopted.

- D. **RISK MANAGEMENT PROGRAM** – The City will aggressively pursue every opportunity to provide for the public’s and City employees’ safety and to manage its risks.
- D. **LOSS FINANCING** – All reasonable options will be investigated to finance losses. Such options may include risk transfer, insurance, and risk retention.
- E. **ENTERPRISE FUND SELF-SUFFICIENCY** – The City’s enterprise funds resources will be sufficient to fund operating and capital expenditures. The enterprise funds will pay (where applicable) their fair share of general and administrative expenses in lieu of property taxes and/or franchise fees. If an enterprise fund is temporarily unable to pay all expenses, then the City Council may waive general and administrative expenses in lieu of property taxes and/or franchise fees until the fund is able to pay them.

**X. DEBT MANAGEMENT**

- A. **GENERAL** – The City’s borrowing practices will be conducted in accordance with the City Council approved Debt Management Policies.
- B. **SELF-SUPPORTING DEBT** - When appropriate, self-supporting revenues will pay debt services in lieu of tax revenues.
- C. **ANALYSIS OF FINANCING ALTERNATIVES** – The City will explore all financing alternatives in addition to long-term debt including leasing, grants and other aid, developer contributions, impact fees, and use of reserves or current monies.
- D. **VOTER AUTHORIZATION** – The City shall obtain voter authorization before issuing General Obligation Bonds as required by law. In general, voter authorization is not required for the issuance of Revenue Bonds and Certificates of Obligation.

**XI. STAFFING AND TRAINING**

- A. **ADEQUATE STAFFING** – Staffing levels will be adequate for the fiscal functions of the City to function effectively. Workload shedding alternatives will be explored before adding staff.
- B. **TRAINING** - The City will support the continuing education efforts of all financial staff including the investment in time and materials for maintaining a current perspective concerning financial issues. Staff will be held accountable for communicating, teaching, and sharing with other staff members all information and training materials acquired from seminars, conferences, and related education efforts.
- C. **AWARDS, CREDENTIALS** – The City will support efforts and involvements which result in meeting standards and receiving exemplary recitations on behalf of any of the City's fiscal policies, practices, processes, products, and personnel. Staff certifications may include Certified Public Accountant, Certified Management Accountant, Certified Internal Auditor, Certified Payroll Professional, Certified Government Finance Officer, Professional Public Buyer, Certified Cash Manager, and others as approved by the City Manager upon recommendation of the Finance Director.

## **XII. GRANTS FINANCIAL MANAGEMENT**

- A. **GRANT SOLICITATION** – The City will stay informed about available grants and will apply for any, which would be cost/beneficial and meet the City's objectives.
- B. **RESPONSIBILITY** – Departments will oversee the day to day operations of grant programs, will monitor performance and compliance, and will also keep Finance Department contacts informed of significant grant-related plans and activities. Departments will also report re-estimated annual grant revenues and expenses to the Finance Department after the second quarter of each year. Finance Department staff members will serve as liaisons with grantor financial management personnel, and will keep the book of accounts for all grants.

## **XIII. ANNUAL REVIEW & REPORTING**

- A. These Policies will be reviewed administratively by the City Manager at least annually, and will be presented to the City Council for confirmation of any significant changes.
- B. The Finance Director will report annually to the City Council on compliance with these policies.

**CITY OF THE COLONY**  
**THE COLONY ECONOMIC DEVELOPMENT CORPORATION**  
**THE COLONY COMMUNITY DEVELOPMENT CORPORATION**

**INVESTMENT POLICY**

**September 15, 2017**

**Prepared by the Finance Department**

# THE COLONY INVESTMENT POLICY

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# THE COLONY INVESTMENT POLICY

## I. SCOPE OF POLICY

This Investment Policy shall govern the investment activities of all funds of the City of The Colony, The Colony Economic Development Corporation, and The Colony Community Development Corporation (collectively herein referred to as "THE COLONY"), excluding any specific funds cited hereafter. This Policy serves to satisfy the state statutory requirement to define and adopt a formal investment policy.

### **A. FUNDS INCLUDED:**

All financial assets of all current funds of THE COLONY and any new funds created in the future, unless specifically exempted, will be administered in accordance with this Policy. These funds are accounted for in the City's Annual Financial Report and may include: General Fund, Enterprise Funds, Capital Project Funds, Special Revenue Funds, Trust and Agency Funds.

### **B. FUNDS EXCLUDED:**

This Policy excludes Employee Retirement and Pension Funds administered or sponsored by THE COLONY and excludes bond funds held in trust escrow accounts. THE COLONY will maintain responsibility for these funds as required by Federal and State law and Charters and Codes.

### **C. POOLING OF FUNDS:**

Except for cash in certain restricted and special funds, THE COLONY will consolidate cash balances from all funds to optimize potential investment earnings. Investment income will be allocated to the various funds based on their respective percentage participation and in accordance with the generally accepted accounting principles.

### **D. ADDITIONAL REQUIREMENTS:**

In addition to this Policy, bond funds (to include capital project, debt service, and reserve funds) will be managed by the governing debt ordinance and the provisions of the Internal Revenue Code applicable to the issuance of tax-exempt obligations and the investment of debt proceeds.

## II. PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the capital as well as the probable income to be derived. The standard of prudence to be used by Investment Officers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio of funds, rather than a consideration as to the prudence of a single investment. Investment Officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the City Manager, and the City Council, and appropriate action is taken by the



Investment Officers and their oversight managers to control adverse developments in accordance with the terms of this Policy.

### **III. OBJECTIVES OF POLICY**

The primary objectives of THE COLONY's investment program in order of priority shall be preservation and safety of principal, liquidity, public trust, and yield.

#### **A. SAFETY:**

The foremost and primary objective of THE COLONY's investment program is the preservation and safety of capital. Each investment transaction will seek first to ensure that capital losses are avoided, whether the loss occurs from the default of a security or from erosion of market value. The objectives will be to mitigate credit risk and interest rate risk. To control credit risk, investments should be limited to the safest types of investments. Financial institutions, broker/dealers and advisors who serve as intermediaries, shall be pre-qualified by THE COLONY. The credit ratings of investment pools and individual securities will be monitored to assure compliance with this Policy and State law.

To control interest rate risk, THE COLONY will structure the investment portfolio so that investments mature to meet cash requirements for ongoing operations and will regularly monitor marketable securities. Should an issuer experience a downgrade of its credit rating by a nationally recognized credit rating agency below the required minimum rating, all prudent measures will be taken to liquidate the investment.

#### **B. LIQUIDITY:**

THE COLONY's investment portfolio will remain sufficiently liquid to enable THE COLONY to meet operating requirements that might be reasonably anticipated. Liquidity will be achieved by maintaining adequate cash equivalent balances, matching investment maturities with forecasted cash flow funding requirements, and by diversifying maturities. Furthermore, since all possible cash demands cannot be anticipated, the portfolio, or portions thereof may be placed in bank accounts, money market mutual funds or local government investment pools, which offer same day liquidity.

#### **C. PUBLIC TRUST/TRANSPARENCY:**

Investment Officers shall seek to act responsibly as the custodians of public trust. Investment Officers shall avoid any transaction that might impair public confidence in THE COLONY's ability to govern effectively. To increase public trust and transparency, the Investment Policy will limit investments to those easily understood. Investments are limited to money market accounts of the Depository Bank and local governmental investment pools, and certificates of deposit of up to 1 year in maturity as described below in section V. Authorized Investments.

#### **D. YIELD:**

THE COLONY's investment portfolio will be designed with the objective of regularly meeting or exceeding the optimum rate of return of a reasonable benchmark considering the risk, liquidity, and transparency constraints. Investment Officers will seek to preserve principal, maintain liquidity levels needed, maintain as much transparency as possible and optimize the yield of these funds.

However, it is understood that if the yield achieved by THE COLONY is higher than the arbitrage yield, positive arbitrage income will be rebated to the federal government as required by current federal regulations.

#### **IV. RESPONSIBILITY AND CONTROL**

##### **A. DELEGATION:**

The Director of Finance has oversight management responsibility to establish written procedures and controls for the operation of the investment program, consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for the daily cash management operation, execution of investment transactions, overall portfolio management, and investment reporting. The Director of Finance shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of the Investment Officers.

##### **B. INVESTMENT OFFICERS:**

The Director of Finance and Assistant Finance Director are the "Investment Officers" of THE COLONY. No person shall engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Director of Finance.

##### **C. CONFLICTS OF INTEREST:**

Investment Officers and employees involved in the investment process will refrain from personal business activity that could conflict with proper execution and management of the investment program, or which could impair their ability to make impartial investment decisions. Investment Officers and employees involved in the investment process shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of THE COLONY.

##### **D. DISCLOSURE:**

Investment Officers shall disclose to the City Manager, City Council, Boards of Directors, and the Texas Ethics Commission any financial interests in financial institutions or any relationship within the second degree by affinity or consanguinity to an individual that conducts business with THE COLONY. All Investment Officers shall further disclose any large personal financial investment positions that could be related to the performance of THE COLONY's portfolio. Investment Officers shall subordinate their personal investment transactions to those of this jurisdiction, particularly with regard to the timing of purchases and sales.

##### **E. INVESTMENT TRAINING:**

In order to ensure qualified and capable investment management, the Director of Finance, the Assistant Finance Director, and any other Investment Officers shall have a finance, accounting, or related degree and knowledge of treasury functions. Additionally, Investment Officers must attend investment training not less than once in a two-year period that begins on the first day of the fiscal year and consists of two consecutive fiscal years after that date and receive not less than 10 hours of instruction relating to investment responsibilities. This investment training may be from educational seminars held by Government Finance Officers Association (GFOA),

Government Treasurers Organization of Texas (GTOT), Government Finance Officers Association of Texas (GFOAT), American Institute of Certified Public Accountants (AICPA), University of North Texas (UNT), North Central Texas Council of Governments (NCTCOG), and Texas Municipal League (TML). All Investment Officers of THE COLONY shall attend at least one training session relating to their cash management and investment responsibilities within 12 months after assuming these duties for THE COLONY. Training must include education in investment controls, security risks, strategy risks, market risks, and compliance with state investment statutes.

## **V. AUTHORIZED INVESTMENTS**

Funds of THE COLONY may be invested in the following investments, as authorized by Chapter 2256 of the Government Code of the State of Texas, known as the "Public Funds Investment Act", and as authorized by this Investment Policy. Investments not specifically listed below are not authorized:

- A. Money Market Mutual Funds of Local Government Joint Investment Pools established and operating in compliance with the Public Funds Investment Act, and are continuously rated no lower than AAA-m or an equivalent rating by at least one nationally recognized rating service, have a dollar-weighted average maturity of 60 days or less, and invest only in obligations listed in the Public Funds Investment Act.
- B. Money Market Deposit accounts with bank depository.
- C. Certificates of Deposits that are issued by a state or national bank that has its main office or branch office in the State of Texas and that a) which are guaranteed or insured by the Federal Deposit Insurance Corporation, b) are secured in compliance with Section IX Collateralization, or c) are executed through a depository institution that has its main office or a branch office in this State that participates in the Certificate of Deposit Account Registry Service (CDARS) and meet the requirements of the Public Funds Investment Act.
- D. Insured Cash Shelter Accounts executed through a trustee bank that has its main office or a branch office in this State.

Only those investments specifically listed in this Policy are authorized.

## **VI. INVESTMENT REPORTS**

The Director of Finance shall submit quarterly an investment report in compliance with the Public Funds Investment Act. This report will be prepared in a manner, which will allow THE COLONY to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report should be provided to the City Council, Boards of Directors, and the City Manager. The reports shall be formally reviewed at least annually by an independent auditor in conjunction with the annual audit. The result of the review shall be reported to the City Council and Boards of Directors by that auditor. The quarterly investment report must be presented within 90 days of the end of the quarter reporting period.

The Director of Finance is responsible for the recording of investment transactions and the maintenance of the investment records with reconciliation of the accounting records of investments carried out by the Assistant Finance Director. Information to maintain the investment

program and the reporting requirements is derived from various sources such as broker/dealer research reports, newspapers, financial on-line market quotes, communication with broker/dealers, government investment pools, and financial consulting services.

## **VII. PORTFOLIO AND INVESTMENT ASSET PARAMETERS**

### **A. BIDDING PROCESS FOR INVESTMENTS:**

Investment Officers for THE COLONY shall solicit bids or quotes for certificates of deposit, or other financial institution deposit accounts either orally, in writing, electronically, or in any combination of these methods. The Investment Officers will strive to create a competitive pricing environment for all portfolio transactions.

### **B. MAXIMUM MATURITIES:**

THE COLONY will manage its investments to meet anticipated cash flow requirements. THE COLONY will not directly invest in certificate of deposits maturing more than one year from the date of purchase.

### **C. MAXIMUM DOLLAR-WEIGHTED AVERAGE MATURITY:**

The maximum dollar-weighted average maturity based on the stated final maturity, authorized by this Investment Policy for the composite portfolio of THE COLONY, shall be 9 months.

### **D. DIVERSIFICATION:**

It is the Policy of THE COLONY to diversify its investment portfolios. Assets held in each investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity or specific issuer.

In establishing specific diversification strategies, the following general policies and constraints shall apply:

- 1) CD maturities and shall be staggered in a way that protects interest income from the volatility of interest rates and that avoids undue concentration of assets in a specific maturity or Institution. Investments shall be selected which provide for stability of income and adequate liquidity.

### **E. PERFORMANCE STANDARDS:**

The investment portfolio will be managed in accordance with the objectives specified within this Policy.

## **VIII. SELECTION OF DEPOSITORY, BROKER/DEALERS, AND INVESTMENT ADVISORS**

**A. DEPOSITORY SOLICITATION PROCESS:**

Primary depositories shall be selected through THE COLONY's banking services procurement process, which shall include a formal request for proposal (RFP) issued not less than every five years. In selecting primary depositories, the credit worthiness of institutions shall be considered. No public deposit shall be made except in a qualified public depository as established by state depository laws.

THE COLONY may also establish agreements with other financial institutions under separate contract for additional services which are necessary in the administration, collection, investment, and transfer of municipal funds. Such deposits will only be made after the financial institution has completed and returned the required written instruments and depository pledge agreements.

**B. INSURABILITY:**

Banks seeking to establish eligibility for THE COLONY's deposits, shall submit financial statements, evidence of federal insurance, and other information as required by the Investment Officers of THE COLONY.

**C. INVESTMENT ADVISORS:**

Investment Advisors shall adhere to the spirit, philosophy and specific term of this Policy and shall advise within the same "Standard of Care". Selected Investment Advisors must be registered under the Investment Advisors Act of 1940 or with the State Securities Board. A contract with an Investment Advisor may not be for a term longer than two years and must be approved by the City Council, including any renewals or extensions.

**IX. COLLATERALIZATION**

**A. INSURANCE OR COLLATERAL PLEDGED:**

Collateralization shall be required on depository bank deposits and certificates of deposit, in accordance with the "Public Funds Collateral Act" and depository laws. With the exception of deposits secured with irrevocable letters of credit at 100% of amount, the collateralization level will not be less than 102% of market value of principal and accrued interest, less any FDIC insurance. Evidence of the pledged collateral shall be documented by a tri-party custodial or a master repurchase agreement with the eligible collateral pledged clearly listed in the agreement. Collateral shall be monitored at least monthly to ensure that the market value of the securities pledged equals or exceeds the related deposit or investment balance.

**B. COLLATERAL DEFINED:**

THE COLONY shall only accept, as depository or investment collateral, letters of credit issued by the FHLB or investments stipulated by the Federal Treasury Office of the Comptroller of the Currency, Title 12 - Banks and Banking, Paragraph 9.11.

**C. AUDIT OF PLEDGED COLLATERAL:**

All collateral shall be subject to verification and audit by the Director of Finance.

#### **X. SAFEKEEPING AND CUSTODY OF INVESTMENT ASSETS**

All security transactions, including collateral for repurchase agreements, entered into by THE COLONY shall be conducted using the delivery vs. payment (DVP) basis. That is, funds shall not be wired or paid until verification has been made that the correct security has been received by the safekeeping bank. The safekeeping bank is responsible for matching up instructions from THE COLONY's Investment Officers on an investment settlement with what is wired from the broker/dealer, prior to releasing THE COLONY's designated funds for a given purchase. The security shall be held in the name of THE COLONY or held on behalf of THE COLONY in a bank nominee name. Securities will be held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts. The safekeeping bank's records shall assure the notation of THE COLONY's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to THE COLONY. A safekeeping agreement must be in place, which clearly defines the responsibilities of the safekeeping bank. Wires or ACH transactions to and from government investment pools, financial institution deposits, and money market mutual funds are the only exceptions to the DVP method of settlement.

#### **XI. MANAGEMENT AND INTERNAL CONTROLS**

The Director of Finance shall establish a system of internal controls which shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees or Investment Officers of THE COLONY.

Controls and managerial emphasis deemed most important that shall be employed where practical are:

- A. Control of collusion.
- B. Separation of duties.
- C. Separation of transaction authority from accounting and record keeping.
- D. Custodian safekeeping receipts records management.
- E. Avoidance of bearer-form securities.
- F. Clear delegation of authority.
- G. Documentation of investment bidding events.
- H. Written confirmations from broker/dealers and financial institutions.
- I. Reconcilements and comparisons of security receipts with the investment records.
- J. Compliance with investment policies.

- K. Accurate and timely investment reports as required by law and this Policy.
- L. Validation of investment maturity decisions with supporting cash flow data.
- M. Adequate training and development of Investment Officers.
- N. Verification of all investment income and security purchase and sell computations.
- O. Review of financial condition of all broker/dealers, and depository institutions.
- P. Information about market conditions, changes, and trends that require adjustments in investment strategies.

The above list of internal controls represents only a partial list of a system of internal controls. In conjunction with the annual audit, a process of independent review by an external auditor shall be established.

## **XII. INVESTMENT POLICY ADOPTION**

THE COLONY's Investment Policy shall be adopted by resolution of the City Council and Boards of Directors. The Policy and general investment strategy statements shall be reviewed on an annual basis by the City Council and Boards of Directors, and any modifications made thereto must be approved by them.

## **XIII. INVESTMENT STRATEGY**

Effective investment strategy development coordinates the primary objectives of THE COLONY's Investment Policy and cash management procedures. Cash management to increase the available "investment period" will be employed when necessary to enhance the ability of THE COLONY to earn interest income. Maturity selections shall be based on cash flow and market conditions to take advantage of interest rate cycles. THE COLONY's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with the Investment Policy.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore specific strategies shall be implemented considering the Fund's unique requirements. THE COLONY funds shall be analyzed and invested according to the following major fund types:

- A. Operating Fund
- B. Capital Project Funds and Special Purpose Funds
- C. Debt Service Funds
- D. Bond Reserve Funds

OVERALL STRATEGY:

THE COLONY's basic investment strategy is to utilize investment options that represent suitable risk/return alternatives for excess operating reserves which are easily understood by the public. Therefore, investment of excess operating funds shall seek to preserve principal and promote transparency by restricting authorized investment instruments to those investments which are easily understood with suitable and limited credit and market risk.

Liquidity will be maintained by utilizing projected cash flow needs to limit investment maturities and targeting minimum cash balances. Investment marketability will be maintained based on the fund-type strategies to sufficiently and reasonably assure that investments could be liquidated prior to the maturity, if cash needs dictate.

THE COLONY shall also diversify its investment portfolio. Whenever practical, assets held in the investment portfolio shall minimize the risk of loss resulting from concentration of assets in a specific maturity or specific issuer. THE COLONY will group investment instruments into "fund-type investment groups." These groups will reflect similar needs as to maturity limits, diversity, and liquidity.

THE COLONY funds shall seek to achieve a competitive yield appropriate for each strategy. Yield objectives shall at all times be subordinate to the objectives of safety, liquidity and transparency. Tax-exempt debt proceeds shall be invested to optimize the interest earnings retained by THE COLONY, while at the same time fully complying with all applicable State laws and federal regulations, including the arbitrage rebate regulations.

**A. OPERATING FUNDS:**

Operating Funds shall have as their primary objective to assure safety of principal. The secondary objective is to assure that anticipated cash outflows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure, which will experience minimal volatility during changing economic cycles. Objectives may be accomplished by investing in money market accounts of the depository bank or government investment pools or bank certificates of deposits.

**APPENDIX A**

**AUTHORIZED LOCAL GOVERNMENT INVESTMENT POOLS**

TEXPOOL/TEXPOOL PRIME (Texas Local Government Investment Pools)

LOGIC (Local Government Investment Cooperative)

TEXASTERM/TEXASDAILY (Local Government Investment Pools)