



Preliminary Budget

2018/2019



Annual Operating Budget For Fiscal Year 2018/2019

This budget will raise more total property taxes than last year's budget by \$2,990,338, which is an 11% increase, and of that \$1,176,997 is tax revenue raised from new property added to the tax roll this year.

The proposed tax rate of \$.6625 per \$100 valuation which is $\frac{1}{4}$ cent less than the current tax rate of \$.6650 per \$100 valuation.

TABLE OF CONTENTS

City Manager's Message	1
General Fund	2
Parks Fund	5
Utility Fund.....	6
General Debt Service.....	7
Utility Tax Supported Debt	8
Revenue Bond Debt Service	9
Economic Development Corporation	10
Community Development Corporation	11
TIRZ ONE PID	12
Lake Parks Fund.....	13
Special Events Fund	14
Hotel/Motel Tax Fund.....	15
Court Security Fund.....	16
Court Technology Fund	17
Child Safety Fund	18
Capital Projects Administration Fund	19
Storm Water Utility Fund.....	20
Water/Sewer Impact Fees Fund	21
Citizen Donation Fund	22
Keep the Colony Beautiful Fund	23
Proposed CIP	24
Debt Management Policies	27
Financial Management Policies	42
Investment Policy.....	56

City of The Colony Memorandum

To: Mayor and City Council Members

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

Date: September 10th, 2018

Reference: Proposed FY 2018-2019 Budget

Enclosed is the proposed budget for FY 2018-19. The purpose of this memo is to summarize significant items.

Key principles of the budget are as follows:

- Total operating revenues Increased by \$2.8 million due primarily to property tax receipts.
- Added Personnel (Fire 7, PD 4, Utility 2, PT Animal Serv 1).
- Blended raises 4%.
- Medical insurance increase of 10%.
- One quarter of a cent reduction in the property tax rate (\$.665 to \$.6625).
- 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 20 million in CIP projects.

The proposed FY 2018-19 Budget is respectfully submitted for your review.

GENERAL FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
TAXES				
Ad Valorem Taxes				
Current Property Taxes	15,764,135	18,530,277	20,774,740	22,515,961
Rendition Penalty Revenue	4,409	8,524	3,500	3,500
Ag. Roll Back Taxes	145,757	233,292	4,000	4,000
Delinquent Property Tax	39,359	51,261	35,000	35,000
Penalties & Interest	149,293	92,967	50,000	70,000
Total	16,102,953	18,916,321	20,867,240	22,628,461
City Sales Taxes				
Sales Taxes	5,449,653	6,023,514	6,334,350	6,651,068
Mixed Beverage Tax	287,343	334,067	500,000	376,000
Total	5,736,996	6,357,581	6,834,350	7,027,068
Franchise Taxes				
Electric	1,261,617	1,287,250	1,600,000	1,290,000
Natural Gas	138,012	152,446	150,000	150,000
Telephone	219,777	241,252	250,000	235,000
PEG Fees	98,905	84,396	115,000	83,000
Video	501,199	501,581	550,000	500,000
Sanitation-Residential	176,185	180,959	190,000	182,000
Sanitation-Commercial	132,096	161,821	145,000	163,000
Total	2,527,791	2,609,705	3,000,000	2,603,000
TOTAL TAXES	24,367,740	27,883,607	30,701,590	32,258,528
LICENSES & PERMITS				
Building Permits-New Homes	551,600	1,405,552	1,250,000	1,405,552
Building Permits-Other	530,166	452,747	650,000	452,000
Commercial Permits	342,710	131,281	300,000	130,000
Certificates Of Occupancy	6,325	5,750	5,000	5,000
Zoning Fees	14,123	9,025	6,000	6,000
Fire Fees	44,584	20,955	20,000	20,000
Solicitors Permits	1,130	2,095	1,200	1,200
Health Permits	106,412	111,174	100,000	110,000
Platting Fees	19,316	21,062	15,000	20,000
Alcohol Permits	14,695	16,645	8,500	16,000
Code Enforcement Fees	26,917	23,759	19,000	19,000
Floodplain Development Permits	1,100	100	800	800
Inspection Fees	621,233	146,857	300,000	150,000
Grading Permit	6,823	1,700	1,000	1,000
TOTAL LICENSES & PERMITS	2,287,134	2,348,702	2,676,500	2,336,552
CHARGES FOR SERVICES				
Fire & Ambulance				
Ambulance Calls	423,460	568,210	520,000	570,000
Ambulance Subscription Revenue	19,804	21,855	20,000	20,000
Service Liens	19,982	27,496	15,000	15,000
Denton County Engine Response	3,000	525	1,500	1,500
County Ambulance Funds	22,781	20,443	21,000	21,000
County Fire Funds	10,000	10,000	10,000	10,000
Total	499,027	648,529	587,500	637,500
Library				
County Library Funds	40,000	39,300	41,000	41,000
Total	40,000	39,300	41,000	41,000

GENERAL FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
TOTAL CHARGES FOR SERVICES	539,027	687,829	628,500	678,500
FINES AND FORFEITURES				
Municipal Court Fines	817,528	773,697	720,000	750,000
Library Fees	7,427	7,696	8,000	8,000
Animal Control Fees	31,415	26,780	30,000	30,000
TOTAL FINES AND FORFEITURES	856,370	808,173	758,000	788,000
INVESTMENT INCOME				
Interest Income	67,744	172,997	50,000	175,000
TOTAL INVESTMENT INCOME	67,744	172,997	50,000	175,000
OTHER REVENUES				
Auction Proceeds	32,307	31,650	10,000	10,000
Tower Rental Fees	270,101	286,487	220,000	290,000
Insurance Reimbursement	8,523	-	1,000	1,000
LEISD SRO Reimbursement	50,622	48,020	50,000	70,000
LISD SRO Reimbursement	86,420	187,972	77,000	187,972
Miscellaneous	85,218	158,726	50,000	65,000
Police Reports	6,927	5,006	4,000	4,000
Alarm Fees	49,441	34,775	30,000	30,000
Annex Lease	-	-	-	-
TOTAL OTHER REVENUES	589,559	752,636	442,000	657,972
TOTAL REVENUES	28,707,574	32,653,944	35,256,590	36,894,552
TRANSFER IN				
Transfer - CDC	-	-		
Transfer - EDC	22,715	-		
Transfer - Storm Water Utility	250,000	50,000	50,000	50,000
Transfer In-GF Debt Service		1,850,538		
Transfer - Utility Fund	611,500	-		
Transfer - Child Safety Fund	20,000	20,000	20,000	10,000
Transfers In - EDC S. Colony Conn-Ph2			154,307	151,756
Transfers In - EDC - Cascades			244,379	241,950
Transfers In - EDC - Memorial Drive			49,394	51,470
Transfers In - Hike & Bike Trail (CDC)			131,600	128,400
Transfers In - Parking Lot (CDC)			64,867	64,554
Transfers In - 4B 5 Starr			529,400	532,000
TOTAL TRANSFERS	904,215	1,920,538	1,243,947	1,230,130
TOTAL REVENUES & TRANSFERS	29,611,789	34,574,482	36,500,537	38,124,682

GENERAL FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
EXPENDITURES				
Non-Departmental	5,995,147	7,584,715	8,676,300	8,873,063
General Administration	896,714	953,178	1,063,300	1,128,372
City Council	138,037	139,997	155,992	164,020
Community Image	481,366	463,809	638,624	549,186
City Secretary	380,692	298,481	337,692	362,964
Human Resources	345,715	377,581	410,819	409,217
Finance	884,441	923,664	1,063,080	1,053,772
Information Technology	606,880	709,284	857,134	740,223
Municipal Court	405,911	425,773	427,320	419,519
Communications	-	981,283	1,052,726	1,039,494
Fire	6,281,629	7,047,099	8,128,875	7,780,183
Police	8,479,446	8,239,126	8,801,025	9,123,336
Animal Control		292,854	356,959	369,686
Library	1,023,092	1,048,040	1,160,044	1,082,124
Engineering	1,526,488	1,529,921	1,823,777	1,708,749
Facilities Maintenance	468,037	602,013	1,420,539	968,658
Fleet Services	699,160	709,580	778,505	901,547
Personnel Additions			-	1,195,997
Raises/Health Care			-	1,854,415
Litigation			1,275,000	-
CIP Debt and Cash Items		503,950	-	1,653,754
TOTAL EXPENDITURES	28,612,755	32,830,348	38,427,711	41,378,279
TRANSFER OUT				
Transfer - CVB	100,000	90,000	90,000	115,000
Transfer - Special Events	80,000	40,000	40,000	40,000
Transfer - KTB	20,000	20,000	10,000	5,000
Transfer - Utility		1,777,000	1,000,000	110,000
Transfer - Parks Fund	2,246,700	2,611,700	2,531,000	2,799,000
Transfer - Utility Cap		247,000		
Transfer - G.F. Special Cap	1,176,870	752,354		
TOTAL TRANSFER OUT	3,623,570	5,538,054	3,671,000	3,069,000
TOTAL EXPENDITURES & TRANSFERS	32,236,325	38,368,402	42,098,711	44,447,279
OH COST ALLOCATION	(3,945,663)	(3,945,663)	(3,945,663)	(3,945,663)
BEGINNING FUND BALANCE	11,389,090	12,710,217	12,861,960	11,209,449
EXCESS/(DEFICIENCY)	1,321,127	151,743	(1,652,511)	(2,376,934)
ENDING FUND BALANCE	12,710,217	12,861,960	11,209,449	8,832,515
UNRESERVED FUND BALANCE	12,710,217	12,861,960	11,209,449	8,832,515
Working Days in Fund Balance	164	136	107	80

PARKS FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
CHARGES FOR SERVICES				
Parks & Recreation				
Recreation Program Revenue	161,910	203,250	160,000	200,000
Athletic Program Revenue	74,177	71,616	103,000	71,000
Athletic & Recreation Facility Revenue	184,128	174,324	150,000	174,000
Pass Revenue	14,200	14,838	15,000	14,000
Total	434,415	464,028	428,000	459,000
Aquatic Park				
Swimming Lessons	141,948	165,118	140,000	165,000
Entrance Fees	41,168	54,382	42,000	64,000
Concession Sales	2,668	2,839	1,400	2,000
Private Party Fees	28,747	54,417	29,000	54,000
Total	214,531	276,756	212,400	285,000
Community Center				
Rental Revenue	17,292	17,774	17,000	17,000
Program Revenue	1,047	662	1,000	1,000
Travel Commissions	3,062	-	3,000	-
Membership Fees	6,343	6,749	5,000	6,000
Total	27,744	25,185	26,000	24,000
TOTAL CHARGES FOR SERVICES	676,690	765,969	666,400	768,000
OTHER INCOME				
Horizon Lease Payment	179,317	213,753	215,000	215,000
Miscellaneous	148,030	38,159	6,500	6,500
Interest Income	7,621	18,388	7,000	7,000
TOTAL OTHER INCOME	334,968	270,300	228,500	228,500
TOTAL REVENUES	1,011,658	1,036,269	894,900	996,500
TRANSFER IN				
Transfer - General Fund	2,246,700	2,611,700	2,531,000	2,799,000
Transfer - CDC Five Star Maintenance	165,000	165,000	165,000	165,000
Transfer - CDC Fund Personnel	122,845	134,845	134,845	134,845
Transfer - Lake Parks Fund	35,000	35,000	35,000	35,000
TOTAL TRANSFERS	2,569,545	2,946,545	2,865,845	3,133,845
TOTAL REVENUES & TRANSFERS	3,581,203	3,982,814	3,760,745	4,130,345
EXPENDITURES				
Non-Departmental	49,354	3,779		
Parks & Recreation	2,039,973	2,157,468	2,290,152	2,432,256
Aquatic Park	430,793	466,473	513,301	535,511
Community Center	135,731	177,248	161,255	199,789
Capital	-	58,234	-	-
TOTAL EXPENDITURES	2,655,851	2,863,202	2,964,708	3,167,556
OH COST	1,014,396	1,014,396	1,014,398	1,014,398
BEGINNING FUND BALANCE	938,490	849,446	954,662	736,301
EXCESS (DEFICIENCY)	(89,044)	105,216	(218,361)	(51,609)
ENDING FUND BALANCE	849,446	954,662	736,301	684,692
Working Days in Fund Balance	117	122	68	60

UTILITY FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2015-2016 Actual	2017-2018 Budget	2018-2019 Budget
CHARGES FOR SERVICES				
Water Service	9,408,917	10,504,743	10,373,331	10,500,000
Wastewater Service	5,346,506	5,672,959	5,894,523	5,600,000
Reconnect Fees	23,950	25,221	20,000	20,000
Penalties	447,494	451,947	450,000	450,000
Tap Connection Fees	195,910	444,810	200,000	200,000
Interest Income	72,097	194,625	70,000	170,000
Miscellaneous	81,075	124,665	80,000	80,000
Recycling Billing	32,171	33,100	32,000	32,000
Recycling Education Contribution	-	36,000	36,000	36,000
TOTAL REVENUES	15,608,120	17,488,070	17,155,854	17,088,000
TRANSFERS IN				
Transfer - Storm Water Utility Fund	350,000	350,000	400,000	100,000
Transfer - CIP	-	-	-	-
Transfer - General Fund	-	1,777,000	1,000,000	110,000
Transfer - Capital Projects - Water meters	-	-	-	-
Transfer - Capital Projects - Streets	-	-	-	-
TOTAL TRANSFERS IN	350,000	2,127,000	1,400,000	210,000
TOTAL REVENUES & TRANSFERS	15,958,120	19,615,070	18,555,854	17,298,000
EXPENDITURES				
Non-Departmental	143,835	85,596	163,000	159,500
Water Production	3,523,231	3,517,637	3,521,717	3,656,441
Water Distribution	1,239,795	1,387,776	1,419,865	1,429,274
Wastewater	749,075	1,039,393	1,008,654	1,243,402
Utility Administration	669,567	688,068	741,634	798,868
Public Works	1,769,193	1,844,141	2,167,935	2,107,496
Storm Water - Engineering	8,087	46,125	118,100	118,100
Storm Water - Public Works	121,637	143,851	156,367	151,621
Environmental	161,987	180,985	179,765	203,846
Capital	139,048	21,813	-	-
TOTAL EXPENDITURES	8,525,455	8,955,385	9,477,037	9,868,548
TRANSFERS OUT				
Transfer - General Fund	611,500	-	-	-
Transfer - Utility Debt Service	3,650,000	6,500,000	7,000,000	6,000,000
Transfer - D. S. Revenue bonds	1,100,000	-	-	-
Transfer - Special Projects	-	-	-	-
Transfer - Capital Projects	-	-	-	-
TOTAL TRANSFERS OUT	5,361,500	6,500,000	7,000,000	6,000,000
TOTAL EXPENDITURES & TRANSFERS	13,886,955	15,455,385	16,477,037	15,868,548
OH COST	2,593,752	2,593,752	2,593,752	2,593,752
BEGINNING FUND BALANCE	3,680,157	3,157,570	4,723,503	4,208,568
EXCESS (DEFICIENCY)	(522,587)	1,565,933	(514,935)	(1,164,300)
ENDING FUND BALANCE	3,157,570	4,723,503	4,208,568	3,044,268
Working Days in Fund Balance	70	96	81	60

GENERAL DEBT SERVICE
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
Revenues				
Current Property Taxes	4,928,770	5,602,331	6,050,895	7,169,261
Delinquent Property Taxes	16,160	18,136	10,000	16,000
Ag. Roll Back Taxes	63,994	96,370	2,000	5,000
Penalty & Interest	50,718	32,575	25,000	25,000
Investment Income	16,466	33,836	2,000	30,000
Bond Proceeds	-	9,935,401	-	-
Misc Income	823	-	-	-
TOTAL REVENUES	5,076,931	15,718,649	6,089,895	7,245,261
TRANSFERS IN				
Transfers In - General Fund	-	-	-	-
Transfers In - Engineering Inspections	-	-	-	-
Transfers In - EDC S. Colony Conn-Ph2	154,106	150,907	-	-
Transfers In - EDC - Cascades	244,630	245,060	-	-
Transfers In - EDC - Memorial Drive	48,991	48,891	-	-
Transfers In - Hike & Bike Trail (CDC)	127,400	129,600	-	-
Transfers In - Parking Lot (CDC)	64,306	64,207	-	-
Transfers In - Parks 4B Projects - 5 Starr Comple	523,000	526,000	-	-
TOTAL TRANSFERS IN	1,162,433	1,164,665	-	-
TOTAL REVENUES & TRANSFERS	6,239,364	16,883,314	6,089,895	7,245,261
EXPENDITURES				
Certificates of Obligation - 2007	332,220	332,175	-	-
Certificates of Obligation - 2008	66,920	69,734	67,367	-
Certificates of Obligation - 2010	735,856	741,776	743,108	740,000
Certificates of Obligation - 2010A	178,533	175,296	175,130	174,798
Refunding Bonds - 2010/2001	523,000	526,000	529,400	532,000
Refunding Bonds - 2011/2002	689,472	688,370	690,612	696,084
Refunding Bonds - 2012/2003 & 2007	993,638	911,438	365,513	220,163
Certificates of Obligation - 2013	152,506	150,906	154,306	151,756
Refunding Bonds - 2013/2004 GF/Utility	371,890	370,420	373,220	371,550
Refunding Bonds - 2014/2006 GF/Utility	269,276	269,752	269,072	268,732
Refunding Bonds - 2015/2005 & 2007 GF/Utility	928,709	1,333,084	1,439,662	1,223,014
Certificates of Obligation - 2014	199,406	221,603	221,792	221,603
Certificates of Obligation - 2016	-	-	1,131,125	1,127,801
Certificates of Obligation - 2018	-	-	-	1,092,150
Governmental Capital 10 year note (2)	112,263	112,263	112,263	112,263
Equipment Capital Lease	-	-	-	228,091
Governmental Capital 3 year note (1)	-	-	-	227,531
Fiscal Agent Fees & Other	153,895	197,557	4,000	4,000
TOTAL EXPENDITURES	5,707,584	6,100,374	6,276,570	7,391,536
TRANSFER OUT				
Transfer - General Fund	-	1,850,538	-	-
Transfer - CIP	-	9,721,128	-	-
TOTAL EXPENDITURES & TRANSFERS	5,707,584	17,672,040	6,276,570	14,783,072
EXCESS (DEFICIENCY)	531,780	(788,726)	(186,675)	(146,275)
BEGINNING FUND BALANCE	1,389,743	1,921,523	1,132,797	946,122
ENDING FUND BALANCE	1,921,523	1,132,797	946,122	799,847

UTILITY TAX SUPPORTED DEBT
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016	2016-17	2017-2018	2018-2019
	Actual	Actual	Budget	Budget
CHARGES FOR SERVICES				
Current Property Taxes	-	-	-	-
Delinquent Property Taxes	-	-	-	-
Premium	-	-	-	-
Penalty & Interest	-	-	-	-
Fees	420,955	430,678	400,000	425,000
Investment Income	18,013	10,922	2,500	10,000
TOTAL REVENUES	438,968	441,600	402,500	435,000
TRANSFERS IN				
Transfers In - EDC 4A	307,161	306,545	306,846	305,550
Water/Sewer Impact Fees	100,000	100,000	500,000	1,000,000
Revenue Bond Refunding	-	-	-	-
Revenue Supported Debt Balance Transfer	1,509,924	-	-	-
Transfers In - Utility Fund	3,650,000	6,500,000	7,000,000	6,000,000
Premium	-	329,010	-	-
TOTAL TRANSFERS IN	5,567,085	7,235,555	7,806,846	7,305,550
TOTAL REVENUES & TRANSFERS	6,006,053	7,677,155	8,209,346	7,740,550
EXPENDITURES				
Certificates of Obligation - 2006	-	-	-	-
Certificates of Obligation - 2007	345,780	345,075	-	-
Certificates of Obligation - 2010	258,544	260,624	261,092	260,000
Certificates of Obligation - 2010A	36,567	35,904	35,870	35,802
General Obligation Refunding Bonds - 2011	217,728	217,380	218,088	219,816
Revenue Refunding Bonds 2012 (03,07,08)	331,213	303,812	121,838	73,388
General Obligation Refunding Bonds - 2013	1,487,560	1,481,680	1,492,880	1,486,000
General Obligation Refunding Bonds - 2014	1,314,699	1,317,023	1,313,703	1,312,043
Certificate of Obligation - 2014	1,224,925	1,361,278	1,362,439	1,361,278
Certificate of Obligation - 2015	832,679	837,150	828,150	823,650
Certificate of Obligation - 2015 Refunding	460,716	612,379	677,488	575,536
Certificate of Obligation - 2016	-	-	484,768	483,343
Certificate of Obligation - 2018	-	-	-	121,350
Fees/Cost of Issuance	40,318	331,890	4,000	4,000
TOTAL EXPENDITURES	6,550,729	7,104,195	6,800,316	6,756,206
EXCESS (DEFICIENCY)	(544,676)	572,960	1,409,030	984,344
BEGINNING FUND BALANCE	(868,021)	(1,412,697)	(839,737)	569,293
ENDING FUND BALANCE	(1,412,697)	(839,737)	569,293	1,553,637

REVENUE BOND DEBT SERVICE
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-17 Actual	2017-2018 Budget	2018-2019 Budget
CHARGES FOR SERVICES				
Fees	420,956	-	-	-
Investment Income	4,284	-	-	-
TOTAL REVENUES	425,240	-	-	-
TRANSFERS IN				
Transfers In - Utility Fund	1,100,000	-	-	-
Transfers In - Impact Fees				
TOTAL TRANSFERS IN	1,100,000	-	-	-
TOTAL REVENUES & TRANSFERS	1,525,240	-	-	-
EXPENDITURES				
Revenue Bonds - 2004	-	-	-	-
Revenue Refunding Bonds - 2008	-	-	-	-
Revenue Refunding Bonds - 2012 (03,07,08)	-	-	-	-
General Obligation Refunding Bonds - 2013 (04)	-	-	-	-
Cost of Issuance	-	-	-	-
Transfer to Utility Debt Service	-	-	-	-
Fiscal Agent Fees & Other	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY)	1,525,240	-	-	-
BEGINNING FUND BALANCE	393,450	-	-	-
ENDING FUND BALANCE	1,918,690	-	-	-

ECONOMIC DEVELOPMENT - TYPE A SALES TAXES
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
CITY SALES TAXES				
Sales Tax Revenues	2,724,827	3,011,757	3,167,175	3,325,534
Investment Income	16,941	40,052	17,000	40,000
Bond Proceeds	-	7,120,000	-	-
Miscellaneous Revenue	25,000	-	-	-
TOTAL REVENUES	2,766,768	10,171,809	3,184,175	3,365,534
EXPENDITURES				
Personnel Services	280,017	332,364	431,175	444,026
Contractual Services	46,456	40,969	71,660	121,660
Marketing	175,321	153,572	425,000	425,000
Supplies	6,311	10,295	18,200	18,200
Maintenance	232	91	1,500	1,500
Economic Development Incentives	263,000	6,000	475,000	475,000
Grant Program	-	-	25,000	25,000
Debt Service - Land	-	-	610,825	610,032
Cost of Issuance	-	80,000	-	-
Capital/Land	-	7,120,000	600,000	-
Property	44,020	-	-	-
Sales Tax Rebate	297,186	308,865	201,500	250,000
TOTAL EXPENDITURES	1,112,543	8,052,156	2,859,860	2,370,418
TRANSFERS OUT				
Transfer Out - General Fund BPP	22,715	-	-	-
Transfer Out - GF Cap Contribution	-	-	-	-
Transfer Out - GDSF	152,506	150,906	154,307	151,756
Transfer Out - GDSF	244,630	245,060	244,379	241,950
Transfer Out - GDSF	48,966	48,891	49,394	51,470
Transfer Out - UFDS	307,161	306,545	306,846	305,550
TOTAL TRANSFERS OUT	775,978	751,402	754,926	750,726
TOTAL EXPENDITURES	1,888,521	8,803,558	3,614,786	3,121,144
OH COST	71,380	71,380	71,380	71,380
EXCESS (DEFICIENCY)	806,867	1,296,871	(501,991)	173,010
BEGINNING FUND BALANCE	4,934,194	5,741,061	7,037,932	6,535,941
ENDING FUND BALANCE	5,741,061	7,037,932	6,535,941	-

COMMUNITY DEVELOPMENT - TYPE B SALES TAXES
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
CITY SALES TAXES				
Sales Tax Revenues	2,724,827	3,011,758	3,167,175	3,325,534
Investment Income	13,364	37,070	13,000	37,000
Miscellaneous	740	1,946	-	-
TOTAL REVENUES	2,738,931	3,050,774	3,180,175	3,362,534
TRANSFERS IN				
Transfer from General Fund	-	-	-	-
Transfer from Capital Projects Fund	-	-	-	-
TOTAL TRANSFERS IN	-	-	-	-
TOTAL REVENUES & TRANSFERS	2,738,931	3,050,774	3,180,175	3,362,534
EXPENDITURES-OPERATIONAL				
Personnel Services	94,445	100,144	103,707	191,616
Contractual Services	25,074	25,224	32,300	32,450
Supplies	3,740	1,610	3,650	3,650
Maintenance	32,889	26,148	40,100	40,100
Existing Park Improvements	1,552,500	649,250	3,078,000	375,000
Early Prinicpal Payment				1,500,000
Park Dedication Fee			150,000	0
Sales Tax Rebate			201,500	201,500
Capital Outlay				
TOTAL EXPENDITURES	1,708,648	802,376	3,609,257	2,344,316
TRANSFERS OUT				
Trnsfr Out - GDSF (Complex Debt)	523,000	526,000	529,400	532,000
Trnsfr Out - Parks Fd (Five Star Maint.)	165,000	176,000	165,000	165,000
Trnsfr Out - GDSF (Hike & Bike Trail)	127,400	129,600	131,600	128,400
Trnsfr Out GDSF (Parking Lot)	64,306	64,207	64,867	64,554
Trnsfr Out - Parks Fund (Personnel)	122,845	134,845	134,845	134,845
TOTAL TRANSFERS OUT	1,002,551	1,030,652	1,025,712	1,024,799
TOTAL EXPENDITURES & TRANSFERS	2,711,199	1,833,028	4,634,969	3,369,115
OH COST	35,690	35,690	35,690	35,692
EXCESS (DEFICIENCY)	(7,958)	1,182,056	(1,490,484)	(42,273)
BEGINNING FUND BALANCE	2,329,722	2,321,764	3,503,820	2,013,336
ENDING FUND BALANCE	2,321,764	3,503,820	2,013,336	1,971,063

TIRZ ONE PID
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
REVENUES				
Assessment	2,929,080	1,162,836	1,531,457	1,497,806
Penalty and Interest	-	-	-	-
Interest Income	6,008	26,151	-	-
TOTAL REVENUES	2,935,088	1,188,987	1,531,457	1,497,806
EXPENDITURES				
Personnel Services	555,463	534,329	582,441	592,911
Contractual Services	501,351	518,960	533,800	314,350
Supplies	6,305	-	-	-
Maintenance & Utility	5,033	69,166	135,000	421,600
Capital Outlay	234,206	255,219	335,000	-
TOTAL EXPENDITURES	1,302,358	1,377,674	1,586,241	1,328,861
EXCESS (DEFICIENCY)	1,632,730	(188,687)	(54,784)	168,945
BEGINNING FUND BALANCE	(1,230,849)	401,881	213,194	158,410
ENDING FUND BALANCE	401,881	213,194	158,410	327,355

LAKE PARKS FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
CHARGES FOR SERVICES				
Fees & Permits	161,624	166,815	125,000	160,000
Developer Contributions	62,000	86,185	62,000	86,185
Concession Revenues	957	888	1,000	1,000
Marine Quest	66,132	70,856	70,000	60,000
Investment Income				
Mitigation Fees	230	-		
Miscellaneous	36,870	-		
TOTAL REVENUES	327,813	324,744	258,000	307,185
TOTAL REVENUES & TRANSFERS				
	327,813	324,744	258,000	307,185
EXPENDITURES				
Contractual Services	78,600	76,404	73,225	73,900
Supplies	6,332	8,256	8,450	8,170
Maintenance	12,717	14,884	22,100	25,100
Capital Outlay	-	53,850	322,500	172,000
TOTAL EXPENDITURES	97,649	153,394	426,275	279,170
TRANSFERS OUT				
Transfer to Parks Fund	35,000	35,000	35,000	35,000
TOTAL TRANSFERS OUT	35,000	35,000	35,000	35,000
TOTAL EXPENDITURES & TRANSFERS				
	132,649	188,394	461,275	314,170
EXCESS (DEFICIENCY)	195,164	136,350	(203,275)	(6,985)
BEGINNING FUND BALANCE	597,484	792,648	928,998	725,723
ENDING FUND BALANCE	792,648	928,998	725,723	718,738

SPECIAL EVENTS FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
REVENUES				
Donations & Sponsorships	11,861	12,125	11,000	12,000
Event Revenues	54,677	66,165	50,000	50,000
TOTAL REVENUES	66,538	78,290	61,000	62,000
TRANSFERS IN				
Transfer from - General Fund	80,000	40,000	40,000	40,000
Transfer from - Hotel/Motel Tax	300,000	300,000	350,000	350,000
TOTAL TRANSFERS IN	380,000	340,000	390,000	390,000
TOTAL REVENUES & TRANSFERS	446,538	418,290	451,000	452,000
EXPENDITURES				
Personnel	74,399	80,120	89,907	91,197
Supplies	-	1,334	-	1,000
Christmas	-	-	5,000	5,000
Christmas Light Show Supplemental	11,146	39,455	40,000	40,000
Christmas Light Show Base	6,524	6,193	-	-
Liberty by The Lake	88,747	90,912	95,000	95,000
American Heroes	131,570	145,373	160,000	163,500
Parent Child Event	4,570	4,493	5,100	5,100
Halloween Campout	5,977	5,229	6,000	6,000
Easter Egg Hunt	3,409	3,406	3,500	4,000
Event Marketing	1,196	3,329	3,000	3,000
Arbor Day	2,366	1,260	2,500	2,500
Movies In The Park	3,836	3,262	6,000	6,000
Kids Chase/Up, Up & Away(15-16)	3,043	2,140	3,000	3,000
Back To School	1,670	2,171	1,900	1,900
Bow Wow Pow Wow	1,790	2,566	1,800	1,800
Road Runners Club	10,000	10,000	10,000	10,000
N TX Food Pantry	-	-	-	5,582
Chamber Golf Tourney	-	-	6,000	6,000
Lakeside Community Theatre	-	12,000	12,000	12,000
Metro Relief	6,000	6,000	-	8,204
TOTAL EXPENDITURES	358,949	421,743	450,707	470,783
OH COST	35,492	35,688	35,670	35,670
EXCESS (DEFICIENCY)	52,097	(39,141)	(35,377)	(54,453)
BEGINNING FUND BALANCE	81,731	133,828	94,687	59,310
ENDING FUND BALANCE	133,828	94,687	59,310	4,857

HOTEL/MOTEL TAX FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
HOTEL/MOTEL TAXES				
Taxes	668,011	1,275,280	900,000	900,000
Miscellaneous	-	-	-	-
Investment Income	-	-	-	-
TOTAL REVENUES	668,011	1,275,280	900,000	900,000
TRANSFERS IN				
Transfer from - General Fund	100,000	90,000	90,000	115,000
TOTAL TRANSFERS IN	100,000	90,000	90,000	115,000
TOTAL REVENUES & TRANSFERS	768,011	1,365,280	990,000	1,015,000
EXPENDITURES				
Communications				
Personnel Services	87,781	88,608	84,679	112,158
Contractual Services	1,034	1,297	840	1,340
Supplies	822	1,101	1,300	1,450
CVB				
Personnel Services	215,325	231,195	227,103	255,991
Contractual Services	54,614	61,617	80,300	115,155
Supplies	2,523	4,177	7,700	6,300
TOTAL EXPENDITURES	362,099	387,995	401,922	492,394
TRANSFERS OUT				
Transfer to CIP	-	66,667	-	-
Transfer to Special Event	300,000	300,000	350,000	350,000
TOTAL TRANSFERS OUT	300,000	366,667	350,000	350,000
TOTAL EXPENDITURES & TRANSFERS	662,099	754,662	751,922	842,394
OH COST	35,688	35,688	35,691	35,692
EXCESS (DEFICIENCY)	70,224	574,930	202,387	136,914
BEGINNING FUND BALANCE	156,968	227,192	802,122	1,004,509
ENDING FUND BALANCE	227,192	802,122	1,004,509	1,141,423

COURT SECURITY
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
REVENUES				
Court Security Revenue	14,219	14,214	12,000	14,000
Investment Income				
TOTAL REVENUES	14,219	14,214	12,000	14,000
EXPENDITURES				
Personnel Services		583	1,300	1,300
Contractual Services				
Supplies				
Maintenance				
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	-	583	1,300	1,300
EXCESS (DEFICIENCY)	14,219	13,631	10,700	12,700
BEGINNING FUND BALANCE	264,519	278,738	292,369	303,069
ENDING FUND BALANCE	278,738	292,369	303,069	315,769

COURT TECHNOLOGY
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
REVENUES				
Court Technology Revenue	18,959	15,840	20,000	15,000
Investment Income	-	-	-	-
TOTAL REVENUES	18,959	15,840	20,000	15,000
EXPENDITURES				
Contractual Services	2,162	456	500	500
Supplies/ copiers/Telephone	340	1,479	-	-
Maintenance - Tyler/Duncan Parking Tech	14,376	15,095	15,500	15,100
Non-Capital				
Capital Outlay	-	-	250	-
Overhead Costs				
TOTAL EXPENDITURES	16,878	17,030	16,250	15,600
EXCESS (DEFICIENCY)	2,081	(1,190)	3,750	(600)
BEGINNING FUND BALANCE	30,948	33,029	31,839	35,589
ENDING FUND BALANCE	33,029	31,839	35,589	34,989

CHILD SAFETY FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
REVENUES				
Child Safety Fund Revenue	2,980	2,470	2,000	2,000
Denton County Child Safety Fund	44,250	40,763	42,000	40,000
TOTAL REVENUES	47,230	43,233	44,000	42,000
TOTAL REVENUES & TRANSFERS	47,230	43,233	44,000	42,000
EXPENDITURES				
Child Advocacy Center	30,914	44,701	33,859	35,938
TOTAL EXPENDITURES	30,914	44,701	33,859	35,938
TRANSFER OUT				
Transfer - General Fund	20,000	20,000	20,000	10,000
TOTAL TRANSFER OUT	20,000	20,000	20,000	10,000
TOTAL EXPENDITURES & TRANSFERS	50,914	64,701	53,859	45,938
EXCESS (DEFICIENCY)	(3,684)	(21,468)	(9,859)	(3,938)
BEGINNING FUND BALANCE	63,271	59,587	38,119	28,260
ENDING FUND BALANCE	59,587	38,119	28,260	24,322

CAPITAL PROJECTS ADMINISTRATION
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
REVENUES				
TXDOT	-	-	-	-
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	-	-	-	-
TRANSFERS IN				
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	-	-	-	-
TOTAL TRANSFERS IN	200,000	300,000	300,000	300,000
TOTAL REVENUES & TRANSFERS	200,000	300,000	300,000	300,000
EXPENDITURES				
Personnel Services	110,858	127,405	127,092	128,587
Contractual Services	205	-	-	-
Supplies	20	-	500	500
Maintenance	-	-	-	-
Overhead Costs	-	-	-	-
TOTAL EXPENDITURES	111,083	127,405	127,592	129,087
TRANSFER OUT				
Transfer - General Fund	-	-	-	-
TOTAL TRANSFERS OUT	-	-	-	-
TOTAL EXPENDITURES & TRANSFERS	111,083	127,405	127,592	129,087
OH COST	159,276	159,265	159,265	159,077
EXCESS (DEFICIENCY)	18,913	13,330	13,143	11,836
BEGINNING FUND BALANCE	11,551	(39,895)	(26,565)	(13,422)
ENDING FUND BALANCE	(39,895)	(26,565)	(13,422)	(1,586)

STORM WATER UTILITY FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2015-2016 Actual	2017-2018 Budget	2018-2019 Budget
REVENUES				
Storm Water Utility Fees	544,460	580,758	580,000	650,000
Investment Income	-	-	-	-
TOTAL REVENUES	544,460	604,282	580,000	650,000
TOTAL REVENUES & TRANSFERS	544,460	604,282	580,000	650,000
EXPENDITURES				
Contractual Services	82,710	7,512	150,000	450,000
TOTAL EXPENDITURES	82,710	187,558	150,000	450,000
TRANSFERS OUT				
Transfer - General Fund	250,000	50,000	50,000	50,000
Transfer - Environmental Fund	-	-	-	-
Projects to be determined	-	-	-	-
Transfer - Utility Fund	350,000	350,000	400,000	100,000
TOTAL TRANSFERS OUT	600,000	400,000	450,000	150,000
TOTAL EXPENDITURES & TRANSFERS	682,710	587,558	600,000	600,000
EXCESS (DEFICIENCY)	(26,754)	16,724	(20,000)	50,000
BEGINNING FUND BALANCE	295,763	130,759	147,483	127,483
ENDING FUND BALANCE	130,759	147,483	127,483	177,483

WATER/SEWER IMPACT FEES FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
IMPACT FEES				
Water Impact Fees	433,491	1,081,384	400,000	600,000
Sewer Impact Fees	112,489	482,127	100,000	350,000
Investment Income	-	-	-	-
TOTAL REVENUES	545,980	1,563,511	500,000	950,000
EXPENDITURES				
Water Impact Fee Reimbursement	-	-	-	-
Sewer Impact Fee Reimbursement	66,531	253,396	70,000	220,000
Contractual Services - Water Master Plan	-	-	-	-
TOTAL EXPENDITURES	66,531	253,396	70,000	220,000
TRANSFERS OUT:				
Transfer - Capital Project Admin	300,000	300,000	300,000	300,000
Transfer - Utility Revenue Debt Service	100,000	100,000	500,000	1,000,000
TOTAL TRANSFERS OUT	400,000	400,000	800,000	1,300,000
TOTAL EXPENDITURES & TRANSFERS	466,531	653,396	870,000	1,520,000
EXCESS (DEFICIENCY)	79,449	910,115	(370,000)	(570,000)
BEGINNING FUND BALANCE	1,333,988	1,413,437	2,323,552	1,953,552
ENDING FUND BALANCE	1,413,437	2,323,552	1,953,552	1,383,552

CITIZEN DONATION FUND
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 actual	2016-2017 actual	2017-2018 Budget	2018-2019 Budget
REVENUES				
One Dollar Donation	342	333	360	360
Recycling Rebate Donation	410	374	471	471
Investment Income	-	-	-	-
TOTAL REVENUES	752	707	831	831
EXPENDITURES				
Contractual Services	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY)	752	707	831	831
BEGINNING FUND BALANCE	6,848	7,600	8,307	9,138
ENDING FUND BALANCE	7,600	8,307	9,138	9,969

KEEP THE COLONY BEAUTIFUL
Revenue & Expenditure Projections
Fiscal Year 2018-2019

	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2018-2019 Budget
REVENUES				
Donations	15	500	-	-
TOTAL REVENUES	15	500	-	-
TRANSFERS IN				
Transfer In - General Fund	20,000	20,000	10,000	5,000
TOTAL TRANSFERS IN	20,000	20,000	10,000	5,000
TOTAL REVENUES & TRANSFERS	20,015	20,500	10,000	0
EXPENDITURES				
Personnel		1,083	-	-
Contractual Services	3,957	-	-	-
Supplies	-	2,446	-	-
Maintenance	-	-	-	-
TOTAL EXPENDITURES	3,957	3,529	-	-
TOTAL EXPENDITURES & TRANSFERS	3,957	3,529	0	0
EXCESS (DEFICIENCY)	16,058	16,971	10,000	5,000
BEGINNING FUND BALANCE	51,765	67,823	84,794	94,794
ENDING FUND BALANCE	67,823	84,794	94,794	99,794

**COMPREHENSIVE IMPROVEMENT PLAN SUMMARY
2018 - 2019**

DEPT	AMOUNT	VEHICLES/EQUIPMENT/PROJECTS
FIVE (5) YEAR BONDS - VEHICLES		
CI	\$ 40,000	F250 Ford
REC	45,000	SUV replacement of 2004 Tahoe + wrap for marketing (100,000 as of March 31)
Animal Svs	35,000	Suburban to transport animals to adoption events
PARK	40,000	Replace PM truck #560 (2005 Model - 150,000 mi - old Fire Dept. SUV)
PARK	40,000	Replace Parks truck #558 (2006 Model - 100,000 mi)
Engr. Insp.	40,000	Schedule to replace oldest, high mileage vehicles
PD	275,000	4 Crown Vic Squad Car Replacements
FIRE	42,000	Special Event/Trail Response Vehicle - Replacement of Utility Vehicle
PW	60,000	1 Ton crew cab with tool box bed (replace unit 350)
PW	60,000	1 Ton crew cab With Bed & Rack (unit 361)
WD	35,000	F150 Meter reader truck
WW	30,000	New Unit, Truck, Reg Duty, tool box, caution lights, inverter
FM	36,000	3/4 ton tool box bed (Replace unit 6804)
\$	778,000	Five (5) Year Bond - Vehicles Total
TEN (10) YEAR BONDS - EQUIPMENT/PROJECTS		
FM	\$ 85,000	Replace existing Bucket Truck with Larger Bucket Truck - Randy
PARK	70,000	Mowing Tractor with 15' batwing deck - Replace 572E (1998 model)
PARK	30,000	John Deere 955 Mowing Tractor- 1999 - #573E - Replace
PW	110,000	8 YRD Dump Truck replace unit 362
PW	130,000	Wheel loader (replace unit 368E)
WD	75,000	6" sewer Bypass Pump w/piping
Comm	65,000	Electronic display/monument sign for City Hall
REC	26,000	Gymnasium wall pad replacement and storage lockers
REC	15,000	Gymnasium floor cover
REC	10,000	Replace landscaping at Recreation Center
REC	8,000	Projector and projector screens for meeting rooms at Recreation Center
REC	3,500	Recycling and trash receptacles for Recreation Center
REC	10,000	Boulevard Banners for Main Street
SPEC EV	15,000	Special Events Cargo trailer for event usage
SPEC EV	45,000	Extend American Heroes festival into Friday night (ANNUAL EXPENSE)
SPEC EV	5,000	Christmas Spectacular Holiday Light Show Enhancement
CC	25,000	Replace upholstery on activity room chairs and add 20 arm chairs
CC	2,400	(4) 4' round AmTab tables on wheels to replace Lifetime tables
CC	1,700	Replace blinds in Meals on Wheels office and card room
PARK	6,000	Replace tilt trailer #563E
PARK	8,500	Replace flatbed trailer with dump trailer #569E
PARK	5,000	Replace flatbed trailer
FIRE	135,077	Additional set of Bunker Gear
FIRE	163,463	Emergency Notification System
FIRE	68,000	Replacement 2 Cardiac Monitor/Defibrillators
FIRE	40,000	(2) Lucas Automatic CPR Devices
FIRE	54,000	Ambulance AutoLoad Devices
WW	40,000	Filter Backwash Valve Actuators Replacement
PD	10,000	Barrier Vest Replacements-replace expired vests
IT	400,000	City-wide Phone System Replacement
PD	145,000	New World Software Update (Dispatch, Records, Fire and Jail Software Suite)
PD	325,000	Replacement Cycle for the In Car Video System
PD	18,000	Dispatch Radio
WP	17,000	Replace six SCADA PC's, Monitors, and Printer
WP	4,000	Tablets for Field Operations
FM	50,000	Security Cameras at various City Facilities and location
FM	22,000	Surveillance cameras server
FM	35,000	Upgrade City Works Software and function for Public Services

**COMPREHENSIVE IMPROVEMENT PLAN SUMMARY
2018 - 2019**

TEN (10) YEAR BONDS - EQUIPMENT/PROJECTS (CON'T)		
REC	50,000	Existing Facilities Expansion Feasibility Study
PD	25,000	Animal Service Shed
FM	45,000	Recoat Roofs at Community Center, Parks & Rec and PD
	\$ 2,397,640	Ten (10) Year Bond - Equipment/Projects Total
TWENTY (20) YEAR BONDS - EQUIPMENT/PROJECTS		
FM	\$ 250,000	Remodel City Hall/Library
FM	24,000	HVAC upgrades Various City Buildings - Put in Operations Budget
FM	110,000	Fire Station Roll Up Door Change Out to Bifold+Auto Shut and Other Maint Repairs.
FM	20,000	Automatic Gate replacement and upgrades
FM	225,000	Replace Generator and Transfer Switch for Dispatch
FM	175,000	Remodel PD Dispatch Area
FM	75,000	Remodel 1 Harris Plaza
FM	250,000	Remodel City Hall Annex
FM	200,000	Animal Control Remodel Expansion
FM	350,000	A&E for Fire Station # 5(Architect & Engineering) In TIRZ
FM	35,000	Remodel Fire Stations #1 and 2
ENGR	4,500,000	Residential Street & Alley Reconstruction - Construction Cost
ENGR	300,000	Residential Street & Alley Reconstruction - Design Services
ENGR	65,000	Install 2 inlets on North Colony (SW Utility Funding)
ENGR	50,000	SC-1 Grade Control Structure near Griffin Middle School (SW Utility Funding)
ENGR	1,300,000	Stream Bank Protection for Existing SS line behind Good Shepard Church on S. Colony
ENGR	200,000	Turner Street Bridge - Final design & Construction
ENGR	600,000	Office Creek Stearm Bank Protection at Creek Hollow Drive (SW Utility Funding)
ENGR	50,000	Street Lights-Citizens Request
PW	150,000	Sidewalk repairs in addition to base of \$100,000
PW	400,000	Estimate for Alley repairs
PW	300,000	Street repairs in addition to base of \$400,000
WP	330,000	Wynnwood Pump Station Foundation: Remedying foundation & pipe movement
FM	18,000	School Zone Flashers
FM	90,000	Replace/upgrade Traffic Light controllers and cameras
FM	60,000	Pavement marking Maintenance for streets and thoroughfares
FM	35,000	Parking Lot Maintenance for City Lots - Restriping
FM	15,000	Upgrade and maintain Opticom controls at various locations - Put in Operations
FM	15,000	Replace Street Signs & Traffic Control Signs - Put in Operations Budget
FM	16,000	Electronic Sign Boards
FM	5,000	Upgrade Sign Poles to Breakaway
FM	30,000	Street Light Maintenance on 423
ENGR	2,500,000	North Trunk Sanitary Sewer Construction
ENGR	600,000	Austin Ranch Force Main
ENGR	500,000	Austin Ranch Lift Station (City Portion)
WD	75,000	Manhole rehab (lining inside)
WD	120,000	Lining sewer mains that run between houses
WW	2,700,000	Wastewater Treatment Plant Expansion Phase II A (Dewatering) Engineering Services
WP	80,000	Replace Cutler Hammer Variable Frequency Drive, Pump # 4 at OCPS.
WP	310,000	Trinity Well # 2 Pumping Equip Maintenance - Pull and service water well pumping equipment.
	\$ 17,128,000	Twenty (20) Year Bond Equipment/Projects Totals
	\$ 20,303,640	Total 2018/2019 Bond Issue

**COMPREHENSIVE IMPROVEMENT PLAN SUMMARY
2018 - 2019**

CDC EQUIPMENT / ENHANCEMENTS		
CDC	\$ 1,500,000	Early principal payment on CDC bond? - specific bond will be determined at a later date
CDC	40,000	Replace Five Star truck #501 (2002 Model)
CDC	50,000	Backhoe 541E (1,350 hours) - Replacement - mini backhoe/trencher for irrigation @ Five Star
CDC	25,000	Tennis Court Resurfacing (2 Courts)
CDC	60,000	Park Amenities (replace benches, picnic tables, trash receptacles, security lights, etc.)
CDC	70,000	CDC Master Plan
CDC	15,000	Trail Sweeper and heavy duty blower attachments
CDC	45,000	Grind and Recoat Fiberglass Indoor Pool Surface @ the Aquatic Park
CDC	50,000	Skatepark Lighting
CDC	20,000	Replace Five Star Golf Carts
	\$ 1,875,000	Total CDC Equipment / Enhancements
LAKE PARKS EQUIPMENT / ENHANCEMENTS		
LP	\$ 12,000	Lightning Detection System
LP	30,000	Parking/Beach/Add'l Restroom - Design/OPC
LP	40,000	Tot Lot Playground
LP	65,000	Internet to Gatehouse, Courtesy dock repairs, Buoys, misc. repairs and Park amenities
LP	25,000	Event Pavilion / Parking Lot
	\$ 172,000	Total Lake Parks Equipment / Enhancements
DEPT	AMOUNT	PERSONNEL
Animal Svs	\$ 38,643	P/T Animal Services Admin
FIRE	503,046	Firefighter/paramedic (6)
FIRE	118,082	Fire Marshal
PD	367,791	Patrol Officers (4)
Library	43,621	Upgrade Clerk to Library Assistant
Library	22,498	Upgrade Youth Services Assistant to full-time
WD	102,316	Operators (2)
	\$ 1,195,997	Total 2018/2019 Personnel Additions

CITY OF THE COLONY

DEBT MANAGEMENT POLICIES

September 18th, 2018

Prepared by the Finance Department

**Approved by the City Manager
Confirmed by the City Council on September 18th, 2018**

DEBT MANAGEMENT POLICIES

Table of Contents

	<u>Page No.</u>
I. Purpose Statement	1
II. Responsibility	1
A. Bond Counsel Involvement	2
B. Financial Advisor Involvement	
III. Short Term Debt	2
A. General	
B. Commercial Paper	
C. Line of Credit	
IV. Long Term Debt	2
A. General	2
B. Bonds	3
C. Certificates of Obligation	
D. Public Property Finance Contractual Obligation	
E. Anticipation Notes	4
F. Negotiated versus Competitive Sale versus Private Placement	
G. Bidding Parameters	5
H. Bond Elections	
V. Refunding	5
VI. Capital Leasing	6
VII. Other Types of Financing	6
VIII. Ratios and Reserves	6
IX. Official Statement	7
A. Responsibility	
B. Timing	
C. Auditor's Involvement	8
D. Printing	
X. Ratings	8

DEBT MANAGEMENT POLICIES

Table of Contents

	<u>Page No.</u>
XI. Credit Enhancements	9
XII. Secondary Market Disclosure	9
XIII. Arbitrage Liability Management	10
A. General	
B. Responsibility	
C. Internal Interim Financing	11
D. Spend-Out Exceptions For Federal Rebate	
XIV. Modification to Policies	12

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 18, 2018

Prepared by the Finance Department

Confirmed by the City Council on September 18th, 2018

FINANCIAL MANAGEMENT POLICIES

Table of Contents

	<u>Page No.</u>
I. Purpose Statement	1
II. Accounting, Auditing and Financial Reporting	1
A. Accounting	
B. Funds	
C. External Auditing	
D. External Auditors Responsible to City Council	
E. External Auditors Rotation	2
F. External Financial Reporting	
G. Internal Financial Reporting	
III Internal Controls	2
A. Written Procedures	
B. Department Managers Responsible	
IV. Operating Budget	2
A. Preparation	
B. Balanced Budget	3
C. Planning	
D. Reporting	
E. Control	
F. Performance Measures and Productivity Indicators	
V. Capital Improvement Program	3
A. Preparation	
B. Control	
C. Program Planning	
D. Alternate Resources	
E. Debt Financing	4
F. Street Maintenance	
G. Water/Wastewater Main Rehabilitation and Replacement	
H. Water and Wastewater Special Projects	
I. Reporting	

FINANCIAL MANAGEMENT POLICIES

Table of Contents

	<u>Page No.</u>
VI. Revenue Management	4
A. Simplicity	
B. Certainty	
C. Equity	5
D. Administration	
E. Revenue Adequacy	
F. Cost/Benefit of Abatement	
G. Diversification and Stability	
H. Non-recurring Revenues	
I. Property Tax Revenues	
J. User-Based Fees	
K. Impact Fees	
L. General and Administrative Charges	6
M. Utility Rates	
N. Interest Income	
O. Revenue Monitoring	
VII. Expenditure Control	6
A. Appropriations	
B. Contingency Account Expenditures	
C. Purchasing	
D. Professional Services	
E. Prompt Payment	
F. Equipment Financing	7
G. Information Technology	
VIII. Asset Management	7
A. Investments	
B. Cash Management	
C. Fixed Assets and Inventory	

FINANCIAL MANAGEMENT POLICIES

Table of Contents

	<u>Page No.</u>
IX. Financial Condition and Reserves	7
A. No Operating Deficits	
B. Interfund Loans	
C. Operating Reserves	8
D. Risk Management Program	9
E. Loss Financing	
F. Enterprise Fund Self-Sufficiency	
X. Debt Management	9
A. General	
B. Self-Supporting-Debt	
C. Analysis of Financing Alternatives	
D. Voter Authorization	
XI. Staffing and Training	9
A. Adequate Staffing	
B. Training	
C. Awards, Credentials	10
XII. Grants Financial Management	10
A. Grant Solicitation	
B. Responsibility	
XIII. Annual Review & Reporting	10

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 31st 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

TABLE OF CONTENTS

		<u>PAGE</u>
I.	SCOPE OF POLICY	1
	A. Funds Included	1
	B. Funds Excluded	1
	C. Pooling of Funds	1
	D. Additional Requirements	1
II.	PRUDENCE	1
III.	OBJECTIVES OF POLICY	2
	A. Safety	2
	B. Liquidity	2
	C. Public Trust/Transparency	2
	D. Yield	2
IV.	RESPONSIBILITY AND CONTROL	3
	A. Delegation	3
	B. Investment Officers	3
	C. Conflicts of Interest	3
	D. Disclosure	3
	E. Investment Training	3
V.	AUTHORIZED INVESTMENTS	4
VI.	INVESTMENT REPORTS	4
VII.	PORTFOLIO AND INVESTMENT ASSET PARAMETERS	4
	A. Bidding Process for Investments	4
	B. Maximum Maturities	5
	C. Maximum Dollar-Weighted Maturity	5
	D. Diversification	5
	E. Performance Standards	5
VIII.	SELECTION OF DEPOSITORY, BROKER/DEALERS, AND INVESTMENT ADVISORS	6
	A. Depository Solicitation Process	6
	B. Insurability	6
	C. Investment Advisors	6
IX.	COLLATERALIZATION	6
	A. Insurance or Collateral Pledged	6
	B. Collateral Defined	6
	C. Audit of Pledged Collateral	7

	<u>PAGE</u>	
X.	SAFEKEEPING AND CUSTODY OF INVESTMENT ASSETS	7
XI.	MANAGEMENT AND INTERNAL CONTROLS	7
XII.	INVESTMENT POLICY ADOPTION	8
XIII.	INVESTMENT STRATEGY	8
	A. Operating Funds	9
APPENDIX A	Authorized Government Pools	9

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)