

ORDINANCE NO. _____

AN ORDINANCE ADOPTING THE REVISED BUDGET FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2020, ADOPTING THE PROPOSED OPERATING AND CAPITAL BUDGET FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2021, INCLUDING AN INVESTMENT POLICY, FINANCIAL PROCEDURES, AND DEBT MANAGEMENT POLICY; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of New Fairview, Texas, is a Type A general law municipality located in Wise and Denton Counties, created in accordance with Chapter 6 of the Local Government Code, and operating pursuant to the enabling legislation of the State of Texas; and

WHEREAS, public notice of a public hearing on the proposed annual budget, stating the date, time, and place and subject matter of the public hearing, was given as required by the laws of the State of Texas; and

WHEREAS, a public hearing was duly held, and all interested persons were given an opportunity to be heard for or against any item therein on September 28th, 2020; and

WHEREAS, as required by Texas Local Government Code 102.002, the budget officer has prepared a municipal budget to cover the proposed expenditures of the municipal government for the succeeding year; and

WHEREAS, this budget will not raise more revenue from property taxes than last year's budget; and

WHEREAS, the City Council finds that the passage of this Ordinance is in the best interest of the citizens of New Fairview; and

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NEW FAIRVIEW, TEXAS:

SECTION 1.

That, all matters stated in the Recitals hereinabove are found to be true and correct and are incorporated herein by reference as if copied in their entirety.

SECTION 2.

That the City Council hereby adopts the revised budget for the fiscal year beginning October 1, 2019 and ending September 30, 2020 as shown within Exhibit “A.”

SECTION 3.

That the City Council does hereby approve the proposed Municipal Budget attached in Exhibit “A”, adopting the budget for the fiscal year beginning October 1, 2020 and ending September 30, 2021.

SECTION 4.

That the City Council does hereby adopt the presented Investment Policy, Financial Procedures, and debt management policies.

SECTION 5.

That a copy of the official adopted 2020-2021 budget document shall be kept on file in the office of the City Secretary

SECTION 6.

It is hereby declared to be the intention of the City Council that the phrases, clauses, sentences, paragraphs, and sections of this Ordinance are severable, and if any phrase, clause, sentence paragraph or section of this ordinance shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs and sections of this Ordinance, since the same would have been enacted by the City Council without the incorporation in this Ordinance of any such unconstitutional phrase, clause, sentence, paragraph or section.

SECTION 7.

This Ordinance shall be in full force and effect after its passage and publication.

PASSED AND APPROVED ON THIS 28th DAY OF SEPTEMBER, 2020.

Joe Max Wilson, Mayor

ATTEST:

Monica Rodriguez, City Secretary

City of New Fairview
General Fund - FY 2020-2021

	FY 2019	FY 2020	FY 2021	Amount Chg	%Chg
	Actual	Amended	Recomm.	FY 20 Amended	FY 20 Amended
BEGINNING FUND BALANCE	43,270	61,141	344,435		
Revenue					
Current Property Tax		487,192	476,743	(10,449)	-2.1%
Delinquent Property Tax		9,744	9,535	(209)	-2.1%
Penalties		1,536	1,430	(106)	-6.9%
Sales/Beverage Tax	129,344	150,000	130,000	(20,000)	-13.3%
Licenses and Permits	32,646	430,000	350,000	(80,000)	-18.6%
Franchise Fees	46,234	49,488	47,000	(2,488)	-5.0%
Court Fines	12,084	17,500	15,000	(2,500)	-14.3%
Other Revenue	87	56,000	50,000	(6,000)	-10.7%
TOTAL REVENUE	220,395	1,201,460	1,079,708	(121,751)	-10.1%

	FY 2019	FY 2020	FY 2021	Amount Chg	%Chg
	Actual	Amended	Recomm.	FY 20 Amended	FY 20 Amended
Expenditures					
Payroll & Benefits	89,770	145,838	268,411	122,573	84.0%
Contract Labor	74,179	528,637	340,000	(188,637)	-35.7%
Supplies & Services	33,524	238,690	179,040	(59,650)	-25.0%
Transfer Out	5,051	5,000	150,000	145,000	2900.0%
TOTAL EXPENDITURES	202,524	918,165	937,451	19,286	2.1%

REV OVER/(UNDER)EXP 17,871 283,294 142,257

Change to Fund Balance 17,871 283,294 142,257

ENDING FUND BALANCE 61,141 344,435 486,693

% Fund Balance Reserve 41.1% 54.8%

Expenditures by Department

	FY 2019	FY 2020	FY 2021	Amount Chg	%Chg
	Actual	Amended	Recomm.	FY 20 Amended	FY 20 Amended
City Council	-	7,000	17,000	10,000	142.9%
Administration	14,334	255,756	292,991	37,235	14.6%
City Secretary	91,675	144,119	108,814	(35,305)	-24.5%
Court	50,207	86,390	101,496	15,106	17.5%
Public Works	46,308	424,900	417,150	(7,750)	-1.8%
Total	202,524	918,165	937,451	19,286	2.1%

**City of New Fairview
CIP Fund - FY 2020-2021**

	FY 2019 Actual	FY 2020 Amended	FY 2021 Recomm.	Amount Chg FY 20 Amended	%Chg FY 20 Amended
BEGINNING FUND BALANCE					
Revenue					
Transfer In (GF)			150,000	150,000	
Bond Proceeds			3,000,000	3,000,000	
TOTAL REVENUE	-	-	3,150,000	3,150,000	-
	FY 2019 Actual	FY 2020 Amended	FY 2021 Recomm.	Amount Chg FY 20 Amended	%Chg FY 20 Amended
Expenditures					
Capital Outlay	-	-	2,700,000		
Debt Service	-	-	150,000	150,000	-
TOTAL EXPENDITURES	-	-	2,850,000	150,000	-
REV OVER/(UNDER)EXP	-	-	300,000	300,000	
Change to Fund Balance	-	-	300,000	300,000	
ENDING FUND BALANCE	-	-	300,000	300,000	

NOTICE ABOUT 2020 TAX RATES

Property Tax Rates in New Fairview

This notice concerns the 2020 property tax rates for the City of New Fairview. This notice provides information about two tax rates. The no-new-revenue tax rate would impose the same amount of taxes as last year if you compare properties taxed in both years. The voter-approval tax rate is the highest tax rate a taxing unit can adopt without holding an election. In each case, these rates are calculated by dividing the total amount of taxes by the current taxable value with adjustments as required by state law. The rates are given per \$100 of property value.

This year's no-new-revenue tax rate:

This year's voter-approval tax rate:

To see the full calculations, please visit www.newfairview.org for a copy of the Tax Rate Calculation Worksheets.

Unencumbered Fund Balances

The following estimated balances will be left in the taxing unit's accounts at the end of the fiscal year. These balances are not encumbered by corresponding debt obligations.

Type of Fund	Balance
General Fund	\$395,000

Current Year Debt Service

The City of New Fairview currently has no outstanding debt.

Total required for debt service	\$0.00
- Amount (if any) paid from funds listed in unencumbered funds	\$0.00
- Amount (if any) paid from other resources	\$0.00
- Excess collections last year	\$0.00
= Total to be paid from taxes in 2020	\$0.00
Collect only 98% of its taxes in 2020	\$0.00
= Total debt levy	\$0.00

This notice contains a summary of the no-new-revenue and voter-approval calculations as certified by the Wise County Tax Office, on August 4, 2020.

2020 Tax Rate Calculation Worksheet

Date: 08/04/2020 12:00 PM

Taxing Units Other Than School Districts or Water Districts

City of New Fairview

Taxing Unit Name

999 Illinois Lane, New Fairview, TX, 76078

Taxing Unit Address, City, State, ZIP Code

Phone (area code and number)

Taxing Unit's Website Address

GENERAL INFORMATION: Tax Code Section 26.04(c) requires an officer or employee designated by the governing body to calculate the no-new-revenue (NNR) tax rate and voter-approval tax rate for the taxing unit. These tax rates are expressed in dollars per \$100 of taxable value calculated. The calculation process starts after the chief appraiser delivers to the taxing unit the certified appraisal roll and the estimated values of properties under protest. The designated officer or employee shall certify that the officer or employee has accurately calculated the tax rates and used values shown for the certified appraisal roll or certified estimate. The officer or employee submits the rates to the governing body by Aug. 7 or as soon thereafter as practicable.

School districts do not use this form, but instead use Comptroller For 50-859 *Tax Rate Calculation Worksheet, School District without Chapter 313 Agreements* or Comptroller Form 50-884 *Tax Rate Calculation Worksheet, School District with Chapter 313 Agreements*.

Water districts as defined under Water Code Section 49.001(1) do use this form but instead use Comptroller Form 50-858 *Water District Voter-Approval Tax Rate Worksheet for Low Tax Rate and Developing Districts* or Comptroller Form 50-860 *Developed water District Voter-Approval Tax Rate Worksheet*.

The Comptroller's office provides this worksheet to assist taxing units in determining tax rates. The information provided in this worksheet is offered as technical assistance and not legal advice. Taxing units should consult legal counsel for interpretations of law regarding tax rate preparation and adoption.

STEP 1: No-New-Revenue Tax Rate

The NNR tax rate enables the public to evaluate the relationship between taxes for the prior year and for the current year based on a tax rate that would produce the same amount of taxes (no new taxes) if applied to the same properties that are taxed in both years. When appraisal values increase, the NNR tax rate should decrease.

The NNR tax rate for a county is the sum of the NNR tax rates calculated for each type of tax the county levies.

While uncommon, it is possible for a taxing unit to provide an exemption for only maintenance and operations taxes. In this case, the taxing unit will need to calculate the NNR tax rate separately for the maintenance and operations tax and the debt tax, then add the two components together.

Line	No-New-Revenue Rate Activity	Amount/Rate
1.	2019 total taxable value. Enter the amount of 2019 taxable value on the 2019 tax roll today. Include any adjustments since last year's certification; exclude Tax Code Section 25.25(d) one-fourth and one-third over-appraisal corrections from these adjustments. Exclude any property value subject to an appeal under Chapter 42 as of July 25 (will add undisputed value in Line 6). This total includes the taxable value of homesteads with tax ceilings (will deduct in Line 2) and the captured value for tax increment financing (will deduct taxes in Line 17).[1]	\$169,265,470
2.	2019 tax ceilings. Counties, cities and junior college districts. Enter 2019 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other taxing units enter 0. If your taxing unit adopted the tax ceiling provision in 2019 or a prior year for homeowners age 65 or older or disabled, use this step.[2]	\$0
3.	Preliminary 2019 adjusted taxable value. Subtract Line 2 from Line 1.	\$169,265,470
4.	2019 total adopted tax rate.	\$.300000
5.	2019 taxable value lost because court appeals of ARB decisions reduced 2019 appraised value.	
	A. Original 2019 ARB values:	\$0
	B. 2019 values resulting from final court decisions:	\$0
	C. 2019 value loss. Subtract B from A.[3]	\$0

Line	No-New-Revenue Rate Activity	Amount/Rate
6.	2019 taxable value subject to an appeal under Chapter 42, as of July 25.	
	A. 2019 ARB certified value:	0
	B. 2019 disputed value:	0
	C. 2019 undisputed value Subtract B from A.[4]	0
7.	2019 Chapter 42-related adjusted values. Add Line 5 and 6	0
8.	2019 taxable value, adjusted for court-ordered reductions. Add Line 3 and Line 7	\$169,265,470
9.	2019 taxable value of property in territory the taxing unit deannexed after Jan. 1, 2019. Enter the 2019 value of property in deannexed territory.[5]	\$0
10.	2019 taxable value lost because property first qualified for an exemption in 2020. If the taxing unit increased an original exemption, use the difference between the original exempted amount and the increased exempted amount. Do not include value lost due to freeport, goods-in-transit, temporary disaster exemptions. Note that lowering the amount or percentage of an existing exemption in 2020 does not create a new exemption or reduce taxable value.	
	A. Absolute exemptions. Use 2019 market value:	\$0
	B. Partial exemptions. 2020 exemption amount or 2020 percentage exemption times 2019 value:	\$74,441
	C. Value loss. Add A and B.[6]	\$74,441
11.	2019 taxable value lost because property first qualified for agricultural appraisal (1-d or 1-d-1),timber appraisal, recreational/scenic appraisal or public access airport special appraisal in 2020. Use only properties that qualified in 2020 for the first time; do not use properties that qualified in 2019.	
	A. 2019 market value:	\$143,180
	B. 2020 productivity or special appraised value:	\$650
	C. Value loss. Subtract B from A.[7]	\$142,530
12.	Total adjustments for lost value. Add Lines 9, 10C and 11C.	\$216,971
13.	Adjusted 2019 taxable value. Subtract Line 12 from Line 8	\$169,048,499
14.	Adjusted 2019 total levy. Multiply Line 4 by Line 13 and divide by \$100	\$507,145
15.	Taxes refunded for years preceding tax year 2019. Enter the amount of taxes refunded by the district for tax years preceding tax year 2019. Types of refunds include court decisions, Tax Code Section 25.25(b) and (c) corrections and Tax Code Section 31.11 payment errors. Do not include refunds for tax year 2019. This line applies only to tax years preceding tax year 2019.[8]	\$0
16.	Taxes in tax increment financing (TIF) for tax year 2019 Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the taxing unit has no 2020 captured appraised value in Line 18D, enter 0.[9]	\$0
17.	Adjusted 2019 levy with refunds and TIF adjustment. Add Lines 14, and 15, subtract Line 16.[10]	\$507,145
18.	Total 2020 taxable value on the 2020 certified appraisal roll today. This value includes only certified values or certified estimate of values and includes the total taxable value of homesteads with tax ceilings (will deduct in Line 20). These homesteads include homeowners age 65 or older or disabled.[11]	
	A. Certified values:	\$156,308,231
	B. Counties: Include railroad rolling stock values certified by the Comptroller's office.	\$0
	C. Pollution control and energy storage system exemption: Deduct the value of property exempted for the current tax year for the first time as pollution control or energy storage system property	\$0
	D. Tax increment financing: Deduct the 2020 captured appraised value of property taxable by a taxing unit in a tax increment financing zone for which the	\$0

Line	No-New-Revenue Rate Activity	Amount/Rate
	2020 taxes will be deposited into the tax increment fund. Do not include any new property value that will be included in Line 23 below.[12]	
	E. Total 2020 value Add A and B, then subtract C and D	\$156,308,231
19.	Total value of properties under protest or not included on certified appraisal roll.[13]	
	A. 2020 taxable value of properties under protest The chief appraiser certifies a list of properties still under ARB protest. The list shows the appraisal district's value and the taxpayer's claimed value, if any, or an estimate of the value if the taxpayer wins. For each of the properties under protest, use the lowest of these values. Enter the total value under protest.[14]	\$5,849,205
	B. 2020 value of properties not under protest or included on certified appraisal roll. The chief appraiser gives taxing units a list of those taxable properties that the chief appraiser knows about but are not included in the appraisal roll certification. These properties also are not on the list of properties that are still under protest. On this list of properties, the chief appraiser includes the market value, appraised value and exemptions for the preceding year and a reasonable estimate of the market value, appraised value and exemptions for the current year. Use the lower market, appraised or taxable value (as appropriate). Enter the total value of property not on the certified roll.[15]	\$0
	C. Total value under protest or not certified. Add A and B.	\$5,849,205
20.	2020 tax ceilings. Counties, cities and junior colleges enter 2020 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other taxing units enter 0. If your taxing unit adopted the tax ceiling provision in 2019 or a prior year for homeowners age 65 or older or disabled, use this step.[16]	\$0
21.	2020 total taxable value. Add Lines 18E and 19C. Subtract Line 20C.[17]	\$162,157,436
22.	Total 2020 taxable value of properties in territory annexed after Jan. 1, 2019. Include both real and personal property. Enter the 2020 value of property in territory annexed.[18]	\$205,399
23.	Total 2020 taxable value of new improvements and new personal property located in new improvements. New means the item was not on the appraisal roll in 2019. An improvement is a building, structure, fixture or fence erected on or affixed to land. New additions to existing improvements may be included if the appraised value can be determined. New personal property in a new improvement must have been brought into the taxing unit after Jan. 1, 2019 and be located in a new improvement. New improvements do include property on which a tax abatement agreement has expired for 2020.[19]	\$5,892,848
24.	Total adjustments to the 2020 taxable value. Add Lines 22 and 23.	\$6,098,247
25.	Adjusted 2020 taxable value. Subtract Line 24 from Line 21.	\$156,059,189
26.	2020 NNR tax rate. Divide Line 17 by Line 25 and multiply by \$100.[20]	\$.324969 /\$100
27.	COUNTIES ONLY. Add together the NNR tax rates for each type of tax the county levies. The total is the 2020 county NNR tax rate.[21]	

[1]Tex. Tax Code Section

[2]Tex. Tax Code Section

[3]Tex. Tax Code Section

[4]Tex. Tax Code Section

[5]Tex. Tax Code Section

[6]Tex. Tax Code Section

[7]Tex. Tax Code Section

[8]Tex. Tax Code Section

[9]Tex. Tax Code Section

[10]Tex. Tax Code Section

[11]Tex. Tax Code Section

[12]Tex. Tax Code Section

[13]Tex. Tax Code Section

[14]Tex. Tax Code Section

[15]Tex. Tax Code Section

[16]Tex. Tax Code Section

[17]Tex. Tax Code Section

[18]Tex. Tax Code Section

[19]Tex. Tax Code Section

[20]Tex. Tax Code Section

[21]Tex. Tax Code Section

STEP 2: Voter-Approval Tax Rate

The voter-approval tax rate is the highest tax rate that a taxing unit may adopt without holding an election to seek voter approval of the rate. The voter-approval tax rate is split into two separate rates:

1. Maintenance and Operations (M&O) Tax Rate: The M&O portion is the tax rate that is needed to raise the same amount of taxes that the taxing unit levied in the prior year plus the applicable percentage allowed by law. This rate accounts for such things as salaries, utilities and day-to-day operations.

2. Debt Rate: The debt rate includes the debt service necessary to pay the taxing unit's debt payments in the coming year. This rate accounts for principal and interest on bonds and other debt secured by property tax revenue.

The voter-approval tax rate for a county is the sum of the voter-approval tax rates calculated for each type of tax the county levies. In most cases the voter-approval tax rate exceeds the no-new-revenue tax rate, but occasionally decreases in a taxing unit's debt service will cause the NNR tax rate to be higher than the voter-approval tax rate.

Line	Voter Approval Tax Rate Activity	Amount/Rate
28.	2019 M&O tax rate. Enter the 2019 M&O tax rate.	\$.300000
29.	2019 taxable value, adjusted for actual and potential court-ordered adjustments. Enter the amount in Line 8 of the <i>No-New-Revenue Tax Rate Worksheet</i> .	169,265,470
30.	Total 2019 M&O levy. Multiply Line 28 by Line 29 and divide by 100.	507,796
31.	Adjusted 2019 levy for calculating NNR M&O rate.	
	A. 2019 sales tax specifically to reduce property taxes. For cities, counties and hospital districts, enter the amount of additional sales tax collected and spent on M&O expenses in 2019, if any. Other taxing units, enter 0. Counties must exclude any amount that was spent for economic development grants from the amount of sales tax spent.	0
	B. M&O taxes refunded for years preceding tax year 2019. Enter the amount of M&O taxes refunded in the preceding year for taxes before that year. Types of refunds include court decisions, Tax Code Section 25.25(b) and (c) corrections and Tax Code Section 31.11 payment errors. Do not include refunds for tax year 2019. This line applies only to tax years preceding tax year 2019.	0
	C. 2019 taxes in TIF: Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the taxing unit has no 2020 captured appraised value in Line 18D, enter 0.	0
	D. 2019 transferred function: If discontinuing all of a department, function or activity and transferring it to another taxing unit by written contract, enter the amount spent by the taxing unit discontinuing the function in the 12 months preceding the month of this calculation. If the taxing unit did not operate this function for this 12-month period, use the amount spent in the last full fiscal year in which the taxing unit operated the function. The taxing unit discontinuing the function will subtract this amount in E below. The taxing unit receiving the function will add this amount in E below. Other taxing units enter 0.	0
	E. 2019 M&O levy adjustments. Add A and B, then subtract C. For taxing unit with D, subtract if discontinuing function and add if receiving function	0
	F. Add Line 30 to 31E.	507,796
32.	Adjusted 2020 taxable value. Enter the amount in Line 25 of the <i>No-New-Revenue Tax Rate Worksheet</i> .	156,059,189
33.	2020 NNR M&O rate (unadjusted) Divide Line 31F by Line 32 and multiply by \$100.	0.325387
34.	Rate adjustment for state criminal justice mandate. [23]	
	A. 2020 state criminal justice mandate. Enter the amount spent by a county in the previous 12 months providing for the maintenance and operation cost of keeping inmates in county-paid facilities after they have been sentenced. Do not include any state reimbursement received by the county for the same purpose.	0
	B. 2019 state criminal justice mandate Enter the amount spent by a county in the 12 months prior to the previous 12 months providing for the maintenance and operation cost of keeping inmates in county-paid facilities after they have been sentenced. Do not include any state reimbursement received by the county for the same purpose. Enter zero if this is the first time the mandate applies	0

Line	Voter Approval Tax Rate Activity	Amount/Rate
	C. Subtract B from A and divide by Line 32 and multiply by \$100	0.000000
	D. Enter the rate calculated in C. If not applicable, enter 0.	0.000000
35.	Rate adjustment for indigent health care expenditures [24]	
	A. 2020 indigent health care expenditures Enter the amount paid by a taxing unit providing for the maintenance and operation cost of providing indigent health care for the period beginning on July 1, 2019 and ending on June 30, 2020, less any state assistance received for the same purpose	0
	B. 2019 indigent health care expenditures Enter the amount paid by a taxing unit providing for the maintenance and operation cost of providing indigent health care for the period beginning on July 1, 2018 and ending on June 30, 2019, less any state assistance received for the same purpose	0
	C. Subtract B from A and divide by Line 32 and multiply by \$100	0.000000
	D. Enter the rate calculated in C. If not applicable, enter 0.	0.000000
36.	Rate adjustment for county indigent defense compensation. [25]	
	A. 2020 indigent defense compensation expenditures. Enter the amount paid by a county to provide appointed counsel for indigent individuals for the period beginning on July 1, 2019 and ending on June 30, 2020, less any state grants received by the county for the same purpose	0
	B. 2019 indigent defense compensation expenditures. Enter the amount paid by a county to provide appointed counsel for indigent individuals for the period beginning on July 1, 2018 and ending on June 30, 2019, less any state grants received by the county for the same purpose	0
	C. Subtract B from A and divide by Line 32 and multiply by \$100	0.000000
	D. Multiply B by 0.05 and divide by Line 32 and multiply by \$100.	0.000000
	E. Enter the lessor of C and D. If not applicable, enter 0.	0.000000
37.	Rate adjustment for county hospital expenditures.	
	A. 2020 eligible county hospital expenditures Enter the amount paid by the county or municipality to maintain and operate an eligible county hospital for the period beginning on July 1, 2019 and ending on June 30, 2020	0
	B. 2019 eligible county hospital expenditures Enter the amount paid by the county or municipality to maintain and operate an eligible county hospital for the period beginning on July 1, 2018 and ending on June 30, 2019	0
	C. Subtract B from A and divide by Line 32 and multiply by \$100	0.000000
	D. Multiply B by 0.08 and divide by Line 32 and multiply by \$100	0.000000
	E. Enter the lessor of C and D, if applicable. If not applicable, enter 0.	0.000000
38.	Adjusted 2020 NNR M&O rate. Add Lines 33, 34D, 35D, 36E, and 37E.	0.325387
39.	2020 voter-approval M&O rate. Enter the rate as calculated by the appropriate scenario below. Special Taxing Unit If the taxing unit qualifies as a special taxing unit, multiply Line 38 by 1.08 -or- Other Taxing Unit If the taxing unit does not qualify as a special taxing unit, multiply Line 38 by 1.035. -or- Taxing unit affected by disaster declaration If the taxing unit is located in an area declared as disaster area, the governing body may direct the person calculating the voter-approval rate to calculate in the manner provided for a special taxing unit. The taxing unit shall continue to calculate the voter-approval rate in this manner until the earlier of 1) the second year in which total taxable value on the certified appraisal roll exceeds the total taxable value of the tax year in which the disaster occurred, and 2) the third tax year after the tax year in which the disaster occurred. If the taxing unit qualifies under this scenario, multiply Line 38 by 1.08. [27]	0.336775

Line	Voter Approval Tax Rate Activity	Amount/Rate
40.	Total 2020 debt to be paid with property taxes and additional sales tax revenue. Debt means the interest and principal that will be paid on debts that: (1) are paid by property taxes, (2) are secured by property taxes, (3) are scheduled for payment over a period longer than one year, and (4) are not classified in the taxing unit's budget as M&O expenses.	
	A. Debt also includes contractual payments to other taxing units that have incurred debts on behalf of this taxing unit, if those debts meet the four conditions above. Include only amounts that will be paid from property tax revenue. Do not include appraisal district budget payments. Enter debt amount	0
	B. Subtract unencumbered fund amount used to reduce total debt.	0
	C. Subtract certified amount spent from sales tax to reduce debt (enter zero if none)	0
	D. Subtract amount paid from other resources	0
	E. Adjusted debt Subtract B, C and D from A	0
41.	Certified 2019 excess debt collections Enter the amount certified by the collector.	0
42.	Adjusted 2020 debt Subtract Line 41 from Line 40E	0
43.	2020 anticipated collection rate.	
	A. Enter the 2020 anticipated collection rate certified by the collector	100.00
	B. Enter the 2019 actual collection rate	100.00
	C. Enter the 2018 actual collection rate	100.00
	D. Enter the 2017 actual collection rate	100.00
	E. If the anticipated collection rate in A is lower than actual collection rates in B, C and D, enter the lowest collection rate from B, C and D. If the anticipated rate in A is higher than at least one of the rates in the prior three years, enter the rate from A. Note that the rate can be greater than 100%.	100.00
44.	2020 debt adjusted for collections. Divide Line 42 by Line 43E.	0
45.	2020 total taxable value. Enter the amount on Line 21 of the No-New-Revenue Tax Rate Worksheet.	162,157,436
46.	2020 debt rate Divide Line 44 by Line 45 and multiply by \$100.	0.000000
47.	2020 voter-approval tax rate. Add Line 39 and 46.	0.336775
48.	COUNTIES ONLY. Add together the voter-approval tax rate for each type of tax the county levies. The total is the 2020 county voter-approval tax rate.	
STEP 3 NNR Tax Rate and Voter-Approval Tax Rate Adjustments for Additional Sales tAx to Reduce Property Taxes		

Cities, counties and hospital districts may levy a sales tax specifically to reduce property taxes. Local voters by election must approve imposing or abolishing the additional sales tax. If approved, the taxing unit must reduce its NNR and voter-approval tax rates to offset the expected sales tax revenue.

This section should only be completed by a county, city or hospital district that is required to adjust its NNR tax rate and/or voter-approval tax rate because it adopted the additional sales tax.

Line	Additional Sales and Use Tax Worksheet	Amount/Rate
49.	Taxable sales. For taxing units that adopted the sales tax in November 2019 or May 2020, enter the Comptroller's estimate of taxable sales for the previous four quarters [32]. Estimates of taxable sales may be obtained through the Comptroller's Allocation Historical Summary webpage. Taxing units that adopted the sales tax before November 2019, skip this line.	0
50.	Estimated sales tax revenue. Counties exclude any amount that is or will be spent for economic development grants from the amount of estimated sales tax revenue.[33] Taxing units that adopted the sales tax in November 2019 or in May 2020. Multiply the amount on Line 49 by the sales tax rate (.01, .005 or .0025, as applicable) and multiply the result by .95 [34] -or- Taxing units that adopted the sales tax before November 2019. Enter the sales tax revenue for the previous four quarters. Do not multiply by .95.	0

Line	Additional Sales and Use Tax Worksheet	Amount/Rate
51.	2020 total taxable value. Enter the amount from Line 21 of the <i>No-New-Revenue Tax Rate Worksheet</i> .	162,157,436
52.	Sales tax adjustment rate. Divide Line 50 by Line 51 and multiply by \$100.	0.000000
53.	2020 NNR tax rate, unadjusted for sales tax [35]. Enter the rate from Line 26 or 27, as applicable, on the <i>No-New-Revenue Tax Rate Worksheet</i> .	\$.324969
54.	2020 NNR tax rate, adjusted for sales tax. Taxing units that adopted the sales tax in November 2019 or in May 2020. Subtract Line 52 from Line 53. Skip to Line 55 if you adopted the additional sales tax before November 2019.	\$.324969
55.	2020 voter-approval tax rate, unadjusted for sales tax. [36] Enter the rate from Line 47 or Line 48 as applicable, of the <i>Voter-Approval Tax Rate Worksheet</i>	0.336775
56.	2020 voter-approval tax rate, adjusted for sales tax. Subtract Line 52 from Line 55.	0.336775

[37]Tex. Tax Code Section [38]Tex. Tax Code Section

STEP 4: Additional Rollback Protection for Pollution Control

A taxing unit may raise its rate for M&O funds used to pay for a facility, device or method for the control of air, water or land pollution. This includes any land, structure, building, installation, excavation, machinery, equipment or device that is used, constructed, acquired or installed wholly or partly to meet or exceed pollution control requirements. The taxing unit's expenses are those necessary to meet the requirements of a permit issued by the Texas Commission on Environmental Quality (TCEQ). The taxing unit must provide the tax assessor with a copy of the TCEQ letter of determination that states the portion of the cost of the installation for pollution control.

This section should only be completed by a taxing unit that uses M&O Funds to pay for a facility, device or method for the control of air, water or land pollution.

This section should only be completed by a taxing unit that uses M&O funds to pay for a facility, device or method for the control of air, water or land pollution.

Line	Activity	Amount/Rate
57.	Certified expenses from the Texas Commission on Environmental Quality (TCEQ). Enter the amount certified in the determination letter from TCEQ [37]. The taxing unit shall provide its tax assessor-collector with a copy of the letter.[38]	\$0
58.	2020 total taxable value. Enter the amount from Line 21 of the <i>No-New-Revenue Tax Rate Worksheet</i> .	\$162,157,436
59.	Additional rate for pollution control. Divide Line 57 by Line 58 and multiply by \$100.	0.000000
60.	2020 voter-approval tax rate, adjusted for pollution control. Add Line 59 to one of the following lines (as applicable): Line 47, Line 48 (counties) or Line 56 (taxing units with the additional sales tax).	0.336775

[37]Tex. Tax Code Section

[38]Tex. Tax Code Section

STEP 5: Voter-Approval Tax Rate Adjustment for Unused Increment Rate

The unused increment rate is the rate equal to the difference between the adopted tax rate and voter-approval tax rate before the unused increment rate for the prior three years [39]. In a year where a special taxing unit adopts a rate above the voter-approval tax rate by applying any portion of the unused increment rate, the unused increment rate for that year would be zero.

For each tax year before 2020, the difference between the adopted tax rate and voter-approval rate is considered zero, therefore the unused increment rate for 2020 is zero.[40]

This section should only be completed by a taxing unit that is a municipality of less than 30,000 or a taxing unit that does not meet the definition of a special taxing unit. [41]

Line	Activity	Amount/Rate
61.	2019 unused increment rate. Subtract the 2019 actual tax rate and the 2019 unused increment rate from the 2019 voter-approval tax rate. If the number is less than zero, enter zero. If the year is prior to 2020, enter zero.	0.000000
62.	2018 unused increment rate. Subtract the 2018 actual tax rate and the 2018 unused increment rate from the 2018 voter-approval tax rate. If the number is less than zero, enter zero. If the year is prior to 2020, enter zero.	0.000000
63.	2017 unused increment rate. Subtract the 2017 actual tax rate and the 2017 unused increment rate from the 2017 voter-approval tax rate. If the number is less than zero, enter zero. If the year is prior to 2020, enter zero.	0.000000
64.	2020 unused increment rate. Add Lines 61, 62 and 63.	0.000000
65.	2020 voter-approval tax rate, adjusted for unused increment rate. Add Line 64 to one of the following lines (as applicable): Line 47, Line 48 (counties), Line 56 (taxing units with the additional sales tax) or Line 60 (taxing units with pollution control).	

STEP 6: De Minimis Rate

The de minimis rate is the rate equal to the sum of the no-new-revenue maintenance and operations rate, the rate that will raise \$500,000, and the current debt rate for a taxing unit.[42]

This section should only be completed by a taxing unit that is a municipality of less than 30,000 or a taxing unit that does not meet the definition of a special taxing unit. [43]

Line	Activity	Amount/Rate
66.	Adjusted 2020 NNR M&O tax rate. Enter the rate from Line 38 of the <i>Voter-Approval Tax Rate Worksheet</i>	0.325387
67.	2020 total taxable value. Enter the amount on Line 21 of the <i>No-New-Revenue Tax Rate Worksheet</i>	162,157,436
68.	Rate necessary to impose \$500,000 in taxes. Divide \$500,000 by Line 67 and multiply by \$100.	0.308342
69.	2020 debt rate Enter the rate from Line 46 of the <i>Voter-Approval Tax Rate Worksheet</i>	0.000000
70.	De minimis rate Add Lines 66, 68 and 69.	0.633729

STEP 7: Total Tax Rate

Indicate the applicable total tax rates as calculated above.

No-new-revenue tax rate	0.324969
Voter-Approval Tax Rate	0.336775
De minimis rate	0.633729

STEP 8: Taxing Unit Representative Name and Signature

print here

Printed Name of Taxing Unit Representative

sign here

Taxing Unit Representative

Date



City of New Fairview
Debt Management Policy
June 1, 2020

Debt Management Policy

Section 1.1 Purpose

The City of New Fairview recognizes that the foundation of any well-managed debt program is a comprehensive debt management and post issuance policy outlining the parameters for issuing new debt and managing the existing debt portfolio, identifying the types and amounts of permissible debt, providing guidance to decision makers regarding the purposes for which debt may be issued, and verifying that the IRS regulations regarding post issuance compliance are met to preserve the tax exempt status of the City's bonds.

Section 1.2 Policy

Adherence to a debt management policy helps ensure that the City maintains the current or improved bond rating in order to minimize borrowing costs and preserve access to credit.

The City's Debt Management Policy ("the Debt Policy") provides guidance for staff to:

- (a) Ensure high quality debt management decisions; and
- (b) Ensure support for debt issuance both internally and externally; and
- (c) Impose order, discipline in the debt issuance process; and
- (d) Promote consistency and continuity in the decision-making process; and
- (e) Ensure that the debt management decisions are viewed positively by rating agencies, investment community and taxpayers; and
- (f) Demonstrate a commitment to long-term financial planning objectives.

Section 1.3 Scope

This policy applies to all debt instruments issued by the City regardless of funding source. Funding sources can be derived from, and debt secured by, ad valorem taxes, general City revenue, or any identifiable sources of revenue that may be identified for appropriate pledging for bonded indebtedness.

Section 1.4 Objectives

The primary objective of this policy is to ensure that the City establishes and maintains a solid position with respect to its debt service and bond proceed funds, and that proceeds from long-term debt will not be used for current operations but rather capital improvements, and related expenses, and other long-term assets in accordance with state law and City ordinances.

The City will seek all possible federal and state reimbursements for mandated programs and projects. The City will pursue a balanced relationship between issuing debt and pay-as-you-go financing dictated by prevailing economic factors and as directed by the City Council.

Other objectives include:

- (a) Bonds shall be paid back within a period not to exceed, and preferably sooner than, the expected useful life of the capital project.
- (b) Decisions shall be made on a number of factors and will be evaluated against long-term goals rather than a short-term fix; and
- (c) Debt service and bond proceed funds shall be managed and invested in accordance with all federal and state laws and in conjunction with the Tax Compliance Certificate of each bond issue to assure availability to cover project costs and debt service payments when due.

Section 1.5 Implementation

The policy requires:

- (a) Payment of principal and interest on all outstanding debt in full and timely manner.
- (b) Incurrence of debt for those purposes permissible under state law and the ordinances of the City.
- (c) Development, approval and financing of capital improvements in accordance with City codes and the capital improvement budgeting process.
- (d) Structuring of principal and interest retirement schedules to (1) achieve a low borrowing cost for the City; (2) accommodate the debt service payments of existing debt, and (3) respond to perceptions of market demand. Shorter maturities shall always be encouraged to demonstrate to rating agencies that debt is always being retired at a sufficiently rapid pace.
- (e) Selection of a method of sale that shall maximize the financial benefit to the City.
- (f) Effective communication with bond rating agencies to ensure complete and clear understanding of the credit worthiness of the City.
- (g) Full, complete and accurate disclosure of the financial condition and operating results in every financial report, bond prospectus and Annual Information Statement (AIS). All reports shall conform to guidelines issued by the Government Finance Officers Association (GFOA), Securities and Exchange Commission (SEC), and the Internal Revenue Service (IRS) to meet the disclosure needs of rating agencies, underwriters, investors and taxpayers.

Section 1.6 Structure of Debt

Debt service shall be structured to the greatest extent possible to:

- (a) Match projected cash flows and pledged revenues.
- (b) Minimize impact of future tax levies.
- (c) Maintain a consistent and as rapid as feasible payment of principal,
- (d) Maintain a level overall annual debt service payment structure; and
- (e) Equal the lesser of the useful life of the asset being financed or the maximum legal maturity for the obligations issued to finance the acquisition and construction of the asset.

Section 1.7 Methods of Sale

The City's debt obligations may be sold by competitive or negotiated sale methods. The selected method of sale depends upon the option which is expected to result in the lowest cost and most favorable terms to the City given the financial structure used, market conditions and prior experience. When considering the method of sale, the City may consider the following issues:

- (a) Financial conditions.
- (b) Market conditions.
- (c) Transaction-specific conditions.
- (d) City-related conditions.
- (e) Risks associated with each method.
- (f) Complexity of the Issue – Municipal securities with complex security features require greater marketing and buyer education efforts on the part of the underwriter to improve the investors' willingness to purchase.
- (g) Volatility of Bond Yields – If municipal markets are subject to abrupt changes in interest rates, there may be a need to have flexibility in the timing of the sale to take advantage of positive market changes or to delay a sale in the face of negative market changes.
- (h) Familiarity of Underwriters with the City's Credit Quality – If underwriters are familiar with the City's credit quality, a lower True Interest Cost (TIC) may be achieved. Awareness of the credit quality of the City has a direct impact on the TIC an underwriter will bid on the issue. Therefore, where additional information in the form of presale marketing benefits the interest rate, a negotiated sale may be recommended. The City strives to maintain an excellent bond rating. As a result, the municipal Bond Market is generally familiar with the City's credit quality.
- (i) Size of the Issue – The City may choose to offer sizable issues as negotiated sales so that pre-marketing and buyer education efforts may be done to more effectively promote the bond sale.

Section 1.7.1 Competitive Sales

In a competitive sale, bonds are awarded in a sealed bid sale to an underwriter or syndicate of underwriters that provide the lowest TIC bid. TIC is defined as the rate, which will discount the aggregate amount of debt service payable over the life of the bond issue to its present value on the date of delivery. It is customary for bids to be submitted electronically through a secure website.

Section 1.7.2 Negotiated Sale

In a negotiated sale, the City chooses an underwriter or underwriting syndicate that is interest in reoffering a particular series of bonds to investors. The terms of the sale, including the size of the underwriter's discount, date of sale, and other factors, are negotiated between the two parties. Although the method of the sale is termed negotiated, individual components of the sale may be competitively bid. The components are subject to a market analysis and reviewed prior to a recommendation by staff. Negotiated sales are more advantageous when flexibility in the sales date is needed or when less conventional bond structures are being

sold. Negotiated sales are often used when the issue is particularly large or if the sale of the debt issuance would be perceived to be more successful with pre-marketing efforts.

Section 1.7.3 Private Placement

A private placement is a negotiated sale of debt securities to a limited number of selected investors including financial institutions or government agencies or authorities. The City may engage a placement agent to identify likely investors if deemed necessary. A private placement may be beneficial when the issue size is small, when the security of the bonds is somewhat weaker, or when a governmental lending agency or authority can provide beneficial interest rates or terms compared to financing in the public market.

Section 1.8 Refunding of Debt

All forms of refunding debt shall be approved by the City Council in accordance with City ordinances and state law.

Section 1.8.1 Taxable Advance Refunding

Taxable advance refunding and forward delivery refunding transactions for savings may be considered when the net present value savings as a percentage of the par amount of refunded bonds is approximately three percent (3.0%).

Section 1.8.2 Current Refunding

Current refunding transactions issued for savings may be considered when the net present value savings as a percentage of the par amount of refunded bonds is approximately three percent (3.0%).

Section 1.8.3 Refunding for Debt Restructuring

From time to time, the City may also issue refunding debt for other purposes, rather than net present value savings, such as restructuring debt, changing covenants, or changing the repayment source of the bonds.

Section 1.9 Ratings

Adherence to a debt management policy helps to ensure that the City maintains the current or improved bond rating in order to minimize borrowing costs and preserve access to credit.

Toward that end, the City will take the following steps:

- (a) Strive to maintain good relationships with bond rating agencies as well as disclose financial reports and information to these agencies and to the public.
- (b) Obtain a rating from at least one nationally recognized bond-rating agency on all issues being sold in the public market.
- (c) Make timely disclosure of annual financial information or other requested information to the rating agencies

Section 1.10 Continuing Disclosure

The City will take all appropriate steps to comply with federal securities law, including but not limited to, Securities and Exchange Commission (SEC) Rule 15c2-12 (“the Rule”). The City will make annual and event disclosure filings to the MSRB via EMMA as required by the Rule and its continuing disclosure undertakings.

Section 1.11 Selection of Financial Advisors

The City shall retain an independent financial advisor for advice on the structuring of new debt, financial analysis of various options, including refunding opportunities, the rating review process, the marketing and marketability of City debt obligations, issuance and post-issuance services, the preparation of offering documents (each “Official Statement”) and other services as necessary. The City will seek advice of the financial advisor on an ongoing basis. The financial advisor will perform other services as defined by the agreement approved by the City Council. The financial advisor will not bid on or underwrite any City debt issues in accordance with MSRB rules.

Section 1.12 Selection of Bond Counsel

The City shall retain bond counsel for legal and procedural advice on all debt issues. Bond counsel shall advise the City Council in all matters pertaining to bond ordinance(s) and/or resolution(s). No action shall be taken with respect to any obligation until a written instrument (e.g., Certificate or Ordinance or other legal instrument) has been prepared by the bond attorneys certifying the legality of the proposal. The bond attorneys shall prepare all ordinances and other legal instruments required for the execution and sale of any bonds issued which shall then be reviewed by the City Attorney and City Administrator. The City will also seek the advice of bond counsel on all other types of debt and on any other questions involving federal tax or arbitrage law. Special counsel may be retained to protect the City’s interest in complex negotiations.

Section 1.13 Debt Management Policy Review

This policy shall be reviewed at least once every two years by the City Council. Any modifications to this policy, at any time, shall be approved by the City Council.



City of New Fairview
Financial Procedures
June 1, 2020

Financial Procedures

Section 1.01 Fiscal Year

The fiscal year of the City shall begin on the first day of October and end on the last day of September of the succeeding year. Such fiscal year shall also constitute the budget and accounting year.

State law references – General fiscal power to establish fiscal year, V.T.C.A., Local Government Code, sec. 101.022; city fiscal year, V.T.C.A., Tax Code, sec. 105.

Section 1.02 Submission of Budget and Budget Message

On or before the fifteenth (15th) day of August of the fiscal year, the City Administrator shall submit to the City Council a budget for the ensuing fiscal year and an accompanying budget message.

Section 1.03 Budget Message

The City Administrator's budget message shall explain the budget both in fiscal terms and in terms of work programs. It shall outline the proposed financial policies of the City for the ensuing fiscal year, describe the important features of the budget, indicate any major changes from the current year in financial policies, expenditures and revenues together with the reasons for such changes, summarize the City's debt position and include other such material as the City Administrator deems desirable.

Section 1.04 Budget a Public Record

The budget and all supporting schedules shall be filed with the City Secretary when submitted to the City Council and shall be open to public inspection by anyone interested.

Section 1.05 Public Hearing on Budget

At the City Council meeting when the budget is submitted, the City Council shall name the date, time and place of a public hearing and shall have published in the official newspaper of the City, at least twice, the date, time and place, which will be not less than ten (10) days nor more than thirty (30) days after the date of the notice. At this hearing, interested citizens may express their opinions concerning the budget, including their reasons for wishing to increase or decrease any items of expense.

State law reference – Public hearings on proposed budget, V.T.C.A., Local Government Code, sec. 102.006; special notice by publication for budget hearing, V.T.C.A., Local Government Code, sec. 102.0065

Section 1.06 Proceeding on Adoption of Budget

After public hearing, the City Council shall analyze the budget, making any additions and deletions which they feel appropriate, and shall adopt the budget by the affirmative vote of a majority of the full membership of the City Council. Should the City Council take no final action on or prior to such day, the current budget shall be in force on a month-to-month basis until a new budget is adopted.

State law reference – Adoption of budget, V.T.C.A., Local Government Code, sec. 102.007.

Section 1.07 Budget Appropriation and Amount to be Raised by Taxation

On final adoption, the budget shall in effect for the budget year. Final adoption of the budget by the City Council shall constitute the official appropriations as proposed by expenditure for the budget year and shall constitute the basis of official levy of the property tax as the amount to be assessed and collected for the corresponding tax year. Estimated expenditures will in no case exceed proposed revenue plus undesignated fund balance from the previous fiscal year. Unused appropriations may be transferred to any item required for the same general purpose.

State law reference – Levy of taxes and expenditures of funds under budget, emergency expenditures, V.T.C.A., Local Government Code, sec. 102.009

Section 1.08 Amending the Budget

Under conditions which may arise, and for municipal purposes, the City Council may, by an affirmative vote of a majority of the full membership of the City Council, amend or change the budget to provide for any additional expense in which the general welfare of the citizenry is involved. These amendments shall be by ordinance and shall become attached to the original budget.

Section 1.09 Certification; Copies Made Available

A copy of the budget, as finally adopted, shall be filed with the City Secretary and such other places required by state law or as the City Council shall designate. The final budget shall be printed or otherwise reproduced and sufficient copies shall be made available for the use of all offices, agencies, and for the use of interested persons and civic organizations.

Section 1.10 Revenue Policy

- (a) The City will strive to maintain as diversified and stable a revenue system as permitted by state law to shelter it from short run fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

- (b) Because revenues are sensitive to local and regional economic activities, revenue estimates provided to the City Council shall be conservative.
- (c) The City will estimate its revenues by an objective, analytical process using best practices as defined by the Government Finance Officers Association.
- (d) The City will project revenues for the next five years and will update this projection annually.
- (e) The City will establish all user charges at a level related to the cost of providing the service and within the policy guidelines of the City Council.

Section 1.10 Capital Program

The City Administrator shall submit a five-year (5-year) capital program as an attachment to the annual budget. The program as submitted shall include:

- (a) A clear general summary of its contents; and
- (b) A list of all capital improvements which are proposed to be undertaken during the five fiscal years succeeding the budget year, with appropriate supporting information as to the necessity for such improvements; and
- (c) Cost estimates, method of financing, and recommended time schedules for each improvement; and
- (d) The estimated annual cost of operating and maintaining any facilities to be constructed or acquired.

The information may be revised and extended each year with regard to capital improvements still pending or in process of construction or acquisition.

Section 1.11 Defect Shall Not Invalidate the Tax Levy

Errors or defects in the form or preparation of the budget or the failure to perform any procedural requirements shall not nullify the tax levy or tax rate.

Section 1.12 Lapse of Appropriations

Every appropriation, except an appropriation for a capital expenditure, dedicated grant awards, or program specific enterprise funds shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure, dedicated grant awards, or specific enterprise funds shall continue in force until the purpose for which it was made had been accomplished or abandoned. The purpose of any such appropriation shall be deemed abandoned if three (3) years pass without disbursement from or encumbrance of the appropriation. Any funds not expended, disbursed or encumbered shall be deemed excess funds.

1.13 Borrowing

The City shall have the power to borrow money on the credit of the City and to issue or incur bonds and other evidences of indebtedness to finance public improvements or any other purpose not prohibited by the Constitution and the laws of the State of Texas and to issue refunding bonds to refund outstanding bonds and other evidences of indebtedness of the City previously issued.

All such bonds and other evidences of indebtedness shall be issued in conformity with the laws of the State of Texas and may be secured by or paid, in whole or in part, from ad valorem tax revenue, revenues derived from other taxing powers of the City, revenues derived by the City from any fee or service charge, including revenues derived from the operations of any public utility, utility system, recreational facilities or any other municipal function to the extent not prohibited by the Constitution and laws of the State of Texas. Such bonds or evidences of indebtedness may be a charge upon and payable from properties, or interest therein pledged, or the income therefrom, or both to the extent not prohibited by the Constitution or laws of the State of Texas. The proceeds of bonds or other evidences of indebtedness issued or incurred by the City shall be used only for the purposes for which the bonds or other indebtedness was issued or incurred.

State law references – Public Security Procedures Act, V.T.C.A., Government Code, ch. 1201; refunding bonds, V.T.C.A., Government Code, ch. 1207; bond elections generally, V.T.C.A., Government Code, ch. 1251; municipal bonds, V.T.C.A., Government Code, ch. 1331; authority of municipality to issue bonds for public improvements, V.T.C.A., Government Code, sec. 1331.052.

Section 1.14 Purchasing

- (a) The City Council may by ordinance, give the City Administrator general authority to contract for expenditures without further approval of the City Council for all budgeted items not exceeding limits set by the City Council within the ordinance.
- (b) All contracts for expenditure or purchases involving more than the limits given by the City Council to the City Administrator must be expressly approved by the City Council.
- (c) Emergency contracts as authorized by law and the ordinance may be negotiated by the City Council or City Administrator if given authority by the City Council, without competitive bidding, and in accordance with state law. Such emergency may be declared by the City Administrator and approved by the City Council or declared by the City Council.
- (d) Spending, purchasing, and sale of real or personal property guidelines shall be set by policy approved by the City Council and shall be consistent with state law.

State law reference – Purchasing and contracting authority of municipality, V.T.C.A., Local Government Code, chs. 252, 271.

Section 1.15 Administration of the Budget

- (a) No payment shall be made or obligation incurred against any allotment or appropriation unless the City Administrator or City Administrator's designee, first certifies that there is sufficient unencumbered balance. The City Administrator may transfer any part of the unencumbered appropriation balance expenditures within an office department, agency or organizational unit. At any time during the fiscal year, at the request of the City Administrator, the Council may by resolution transfer any part of the unencumbered appropriation balance or the entire balance thereof from one office, department, agency, or organizational unit to another.
- (b) The City Administrator shall submit to the City Council each month a report covering the revenues and expenditures of the City in such form as requested by the City Council.

Section 1.16 Depository

All monies received by any person, department or agency of the City for or in connection with the affairs of the City shall be deposited promptly in the City depository or depositories. The City depositories shall be designated by the City Council in accordance with such regulations and subject to the requirements as to security for deposits and interest thereon as may be established by ordinance and State law. Procedures for withdrawal of money or the disbursements of funds from the City depositories shall be prescribed by ordinance.

State law references – Depositories of municipal funds, V.T.C.A., Local Government Code, ch. 105.

Section 1.17 Independent Audit

At the close of each fiscal year, and at such times as may be deemed necessary, the City Council shall call for an independent audit to be made of all accounts of the City by a certified public accountant. No more than five consecutive annual audits shall be completed by the same accountant or accounting firm. The certified public accountant selected shall have no personal interest, directly or indirectly, in the financial affairs of the City or any of its officers. The report of audit, with the auditor's recommendations will be made to the City Council. Upon completion of the audit, the summary shall be published within thirty (30) days in the official newspaper of the City and copies of the audit placed on file in the office of the City Secretary as a public record.

State law references – Audit of municipal finances, V.T.C.A., Local Government Code, ch. 103.

Section 1.18 Power to Tax

- (a) The City shall have the power to levy, assess and collect taxes of every character and type for any municipal purpose not prohibited by the Constitution and laws of the State of Texas.
- (b) The City shall have the power to grant tax exemptions in accordance with the laws of the State of Texas.

State law references – Texas Property Tax Code supercedes municipal charter, V.T.C.A., Tax Code, sec. 1.02; local taxation, V.T.C.A., Tax Code, ch. 301 et seq.; property taxes authorized, V.T.C.A., Tax Code, sec. 302.001; occupation taxes, V.T.C.A., Tax Code, 302.101; tax collection powers, V.T.C.A., Tax Code, sec. 302.102.

Section 1.19 Office of the Tax Collector

There may be an office of taxation to collect taxes, the head of which shall be the City Tax Collector. The City Council may contract for such services.

Section 1.20 Taxes; When Due and Payable

- (a) All taxes due in the City shall be payable at the office of the City Tax Collector, or at such location or locations as may be designated by the City Council, or its contractor, and may be paid at anytime after the tax rolls for the year have been completed and approved. Taxes for each year shall be paid before February 1 of the next succeeding year, and all such taxes not paid prior to that date shall be deemed delinquent and shall be subject to penalty and interest as the City Council shall provide by ordinance.
- (b) Failure to levy and assess taxes through omission in preparing the appraisal roles shall not relieve the person, firm partnership, company, corporation or legal entity so omitted from obligation to pay such current or past due taxes as shown to be payable by recheck of the rolls and receipts for the years in question, omitting penalty and interest.

Section 1.21 Tax Liens, Liabilities and Suits

- (a) All taxable property located in the City on January 1 of each year shall stand charged from that date with a special lien in favor of the City for the taxes due. All persons purchasing such property on or after January 1 in any year shall take the property subject to the liens provided above. In addition to the liens herein provided, on January 1 of any year, the owner of the property subject to taxation by the City shall be personally liable for the taxes due for that year.
- (b) The City shall have the power to sue for and recover personal judgement for taxes without foreclosure, or to foreclose its lien or liens, or to recover both personal judgement and foreclosure. In any such suit where it appears that the description of any property in the City appraisal rolls is insufficient to identify such property, the City shall have the right to plead a sufficient description to be assessed, to prove the same, and to have its judgement foreclosing the tax lien or for personal judgement against the owners for such taxes.

State law references – Tax liens and personal liability. V.T.C.A., Tax Code, ch. 32.



Investment Policy

Date: June 1, 2020

I. PURPOSE

It is the objective of the City of New Fairview “the City” to invest public funds in a manner which will provide maximum security and the best commensurate yield while meeting the daily cash flow demands of the City and conforming to all federal, state, and local statutes, rules, and regulations governing the investment of public funds. This policy serves to satisfy the statutory requirements of defining and adopting a formal investment policy. The policy and investment strategies shall be reviewed annually by the Finance department and City Council who will formally approve any modifications. This Investment Policy, as approved, is in compliance with the provisions of the Public Funds Investment Act of Tex. Gov’t. Code Chapters 2256 and 2257.

II. SCOPE

A. FUNDS INCLUDED:

All financial assets of all current funds of the City and any new funds created in the future, unless specifically exempted, will be administered in accordance with the objectives and restrictions set forth in this policy. These funds are accounted for in the City’s Annual Financial Report.

B. FUNDS EXCLUDED:

This policy shall not govern funds, which are managed under separate investment programs. This policy excludes Employee Retirement and Pension Funds administered or sponsored by the City and excludes defeased bond funds held in trust escrow accounts. The City will maintain responsibility for these funds as required by Federal and State law and the City Code.

C. POOLING OF FUNDS:

Except for cash in certain restricted and special funds, the City will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective percentage participation and in accordance with 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.

E. REVIEW AND AMENDMENT OF THE POLICY:

The City Council shall review this investment policy and investment strategies not less than annually as required by state law. A resolution stating the review has been completed and recording any changes made to either the policy or strategy statements must be adopted by the City Council.

III. 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 officials shall be the “prudent person” standard, IAW PFIA 2256.006(a-b), 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 Administrator 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.

IV. OBJECTIVES OF POLICY

The primary objectives of the City’s investment program in order of priority shall be preservation and safety of principal, liquidity, and yield:

A. SAFETY:

The foremost and primary objective of the City's investment program is the preservation and safety of capital of the overall portfolio. 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 securities. Financial institutions, broker/dealers and advisers who serve as intermediaries, shall be pre-qualified by the City. 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 City will structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations and will monitor marketable securities daily. Should an issuer experience a single step downgrade of its credit rating by a nationally recognized credit rating agency within 90 days of the position’s maturity, the Investment Officer may approve the holding of the security to maturity.

B. LIQUIDITY:

The City's investment portfolio will remain sufficiently liquid to enable the City to meet operating requirements that might be reasonably anticipated. Liquidity will be achieved by matching investment maturities with forecasted cash flow funding requirements, by investing in securities with active secondary markets and by diversification of maturities and call dates. Furthermore, since all possible cash demands cannot be anticipated, the portfolio, or portions thereof may be placed in money market mutual funds or local government investment pools, which offer same day liquidity for short-term funds.

C. YIELD:

The City's investment portfolio will be designed with the objective of regularly meeting or exceeding the average rate of return on three-month U.S. Treasury Bills. The investment program will seek to augment returns above this threshold consistent with risk constraints identified herein, cash flow characteristics of the portfolio and prudent investment principles. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Marketable securities shall not be sold prior to maturity with the following exceptions:

1. A security with declining credit may be sold early to minimize loss of principal.
2. A security swap that would improve the quality, yield or target duration in the portfolio.
3. Liquidity needs of the portfolio require that the security be sold.
4. If market conditions present an opportunity for the City to benefit from the sale.

Funds held for future capital projects will be invested in such a way as to try to produce enough income to offset inflationary construction cost increases. However, such funds will never be unduly exposed to market price risks that would jeopardize the assets available to accomplish their stated objective or be invested in a manner inconsistent with applicable federal and state regulations. Yields on debt proceeds that are not exempt from federal arbitrage regulations are limited to the arbitrage yield of the debt obligation. Investment officials will seek to preserve principal and maximize the yield of these funds in the same manner as all other city funds. However, it is understood that if the yield achieved by the city is higher than the arbitrage yield, positive arbitrage income will be averaged over a five year period and netted against any negative arbitrage income and the net amount shall be rebated to the federal government as required by current federal regulations.

D. RISK OF LOSS:

All participants in the investment process will seek to act responsibly as custodians of the public trust. Investment officials will avoid any transactions that might impair public confidence in the City's ability to govern effectively. The governing body recognizes that in a diversified portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

V. RESPONSIBILITY AND CONTROL

A. DELEGATION:

Oversight management responsibility for the investment program has been delegated to the "Investment Officer" who shall be the City Administrator or his/her designee to establish written procedures and controls for the operation of the investment program, consistent with this investment policy and approved by the City Council. Such procedures shall include explicit delegation of authority to persons responsible for the daily cash management operation, the execution of investment transactions, overall portfolio management and investment reporting.

B. SUBORDINATES:

All persons involved in investment activities shall be referred to as "Investment Officials". No person shall engage in an investment transaction except as provided under the terms of this policy, the procedures established by the City Administrator and the explicit authorization by the City Council to withdraw, transfer, deposit and invest the City's funds. The City Administrator shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate Investment Officials.

C. CONFLICTS OF INTEREST:

Investment officials 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 officials and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

D. DISCLOSURE:

Investment officials and employees shall disclose to the City Administrator any material financial interest in financial institutions that conduct business with the City. Investment officials and employees shall further disclose any material, personal investment positions that could be related to the performance of the City's investment portfolio. Investment officials and employees shall subordinate their personal investment transactions to those of this jurisdiction, particularly with regard to the timing of purchases and sales. An investment official that is related within the second degree by affinity or consanguinity to individuals seeking to sell an investment to the City shall file a statement disclosing that relationship, with the Texas Ethics Commission and the City Council.

E. INVESTMENT TRAINING:

The City Administrator and any other investment officials shall have a finance, accounting or related degree and knowledge of treasury functions or 10 years of progressively equivalent business experience or some combination of education and experience. Investment officials must attend investment training not less than once in a two-year period and receive not less than ten hours of instruction relating to investment responsibilities. This investment training may be from educational seminars held by GFOA, GTOT, MTA, GFOAT, AICPA, and TML or any other training approved by the City Council. All investment officials of the City shall attend at least one training session relating to their cash management and investment responsibilities within 12 months after assuming these duties for the City. Training must include education in investment controls, security risks, strategy risks, market risks, and compliance with state investment statutes.

VI. AUTHORIZED INVESTMENTS

Funds of the City 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. Obligations of the United States or its agencies and instrumentalities;
- B. Direct obligations of this state or its agencies;
- C. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, the State of Texas or the United States or its instrumentalities;

- D. Obligations of states, agencies, counties, cities, and other political subdivisions of any state, rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- E. Certificates of Deposit that are issued by a state or national bank or savings and loan domiciled in the State of Texas and that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for City deposits;
- F. Local Government Joint Investment Pools of political subdivisions in the State of Texas which comply with the guidelines described below:
 - (1) The requirements of Article 4413(32c), Section 4(d) of the Texas Revised Civil Statutes must be met;
 - (2) The investment pool must be continuously rated no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service;
 - (3) The requirements of Section 2256.016 of the Texas Public Investment Act must be met by the investment pool and the information required must be furnished to the investment officer of the City;
 - (4) The investment pool must have a dollar-weighted average maturity of 90 days or less.
 - (5) The investment pool may invest only in obligations listed in the preceding paragraphs (A) through (G).

VII. INVESTMENT REPORTS

The City Administrator shall submit quarterly an investment report including an analysis of the status of the current investment portfolio and detailed investment transactions made over the last quarter. This report will be prepared in a manner, which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the City Council and the City Administrator. The City Council shall review investment strategies, portfolio diversification, maturity structure, economic outlook, rate of return on the portfolio, and compliance with the investment policy by reviewing these reports quarterly and by any discussions with city staff. The reports shall be formally reviewed at least annually by an independent auditor if there have been marketable securities in the portfolio. The result of the review shall be reported to Council by that auditor. If there have been no marketable securities in the portfolio, this review by an auditor is not required. The quarterly investment report must be presented within 90 days of the end of the quarter reporting period. The report must contain the following information:

- A. Investment position of the City on the date of the report;
- B. A signature of each investment official of the City;
- C. A summary statement prepared in compliance with generally accepted accounting principles, of each pooled fund or individual portfolio, sorted by type of asset, that states the fully accrued income for the reporting period; beginning market value for the reporting period; additions and changes to the market during the period; ending market value for the period; and the resulting change in market value that may have occurred and a comparison of the same to the previous quarter;
- D. A comparison of book value vs. market value and the unrealized gain or loss at the end of the period and the comparison to the previous period by asset type and fund type invested.

- E. State the duration or average maturity of each portfolio;
- F. State the accounting fund or pooled group fund for which individual investments were acquired, by name or number or both;
- G. State the compliance of the investment portfolio as it relates to the investment strategy expressed in the City's investment policy and compliance with all laws governing the City's investments;
- H. Disclose the investment income earned and yields, by portfolio;
- I. Disclose the investment income earned, by accounting fund;
- J. Demonstrate the diversification of the City's investments; and
- K. Provide a summary of economic activity and recent financial market conditions.
- L. Provide a listing of brokers and financial institutions with which the City conducts business.

The City Administrator or designee 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 an individual reporting to the accounting manager. 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, and direct communication with broker/dealers, government investment pools and financial consulting services.

IX. SELECTION OF DEPOSITORY, FINANCIAL INSTITUTIONS AND BROKER/DEALERS

A. BIDDING PROCESS:

Depositories shall be selected through the City's banking services procurement process, which shall include a formal request for proposal (RFP) issued not less than every five years with a typical contract being for three (3) years with options to extend the contract for two additional years. In selecting depositories, the credit worthiness of institutions shall be considered, and the City Administrator shall conduct a comprehensive review of prospective depository's credit characteristics and financial history. No public deposit shall be made except in a qualified public depository as established by state depository laws. The depository bank bid will not include bids for investment rates on certificates of deposit. Certificate of deposit rates will be shopped competitively between qualified financial institutions in accordance with the manner in which all other types of investment assets are purchased.

B. INSURABILITY:

Banks and Savings and Loan Associations seeking to establish eligibility for the City's competitive certificate of deposit purchase program, shall submit financial statements, evidence of federal insurance and other information as required by the Investment Officials of the City.

C. AUTHORIZED DEPOSITORY, FINANCIAL INSTITUTIONS AND BROKER/DEALERS:

The City Administrator will maintain a list of financial institutions and broker/dealers selected by credit worthiness, who are authorized to provide investment services to the City. These firms may include all primary broker/dealers and those regional broker/dealers who qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and meet other financial credit

criteria standard in the industry. The City Administrator shall select broker/dealers from the approved list to conduct most daily City investment business. These firms will be selected based on the firm's competitiveness, participation in agency selling groups and the experience and background of the salesperson handling the account. The firms will be reviewed quarterly by the City Administrator and changed as appropriate.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Administrator with the following:

- 1) Audited financial statements;
- 2) Proof of National Association of Securities Dealers (N.A.S.D.) Certification;
- 3) Proof of registration with the State of Texas Securities Board;
- 4) Resumes of all sales representatives who will purchase or sell securities or otherwise represent the financial institution or broker/dealer firm in their dealings with the City; and
- 5) Texas Public Funds Investment Act Acknowledgments from a Business Organization "Qualified Representative" of the financial institution or broker/dealer and all sales representatives on the City's account that they have received read, and understood and agree to comply with the City's investment policy. The qualified representative shall execute a written instrument acceptable to the City and the business organization.

A list of these approved financial institutions and broker/dealers shall be maintained in an appendix of this Investment Policy document. The City Council will include the broker/dealer-approved list as part of their annual review.

X. COLLATERALIZATION OF CITY'S DEPOSITS

A. INSURANCE OR COLLATERAL PLEDGED:

Collateralization shall be required on depository bank deposits, certificates of deposit, and repurchase (and reverse) agreements in accordance with the "Public Funds Collateral Act" and depository laws. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will not be less than 102% of market value of principal and accrued interest, less an amount of \$100,000, which represents insurance by the FDIC or FSLIC on certain types of bank deposits. Evidence of the pledged collateral shall be documented by a safekeeping agreement or a master repurchase agreement with the collateral pledged clearly listed in the agreement and safekeeping confirmations. The master repurchase agreement must be executed and in place prior to the investment of funds. Collateral shall be monitored daily to ensure that the market value of the securities pledged equals or exceeds the related deposit or investment balance.

B. COLLATERAL DEFINED:

The City shall accept only the following insurance and securities as collateral for cash deposits, certificates of deposit, and repurchase agreements:

- 1) FDIC insurance coverage.
- 2) Obligations of the United States of America, its agencies and instrumentalities.

- 3) Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States of America or its agencies and instrumentalities.
- 4) Obligations of states, agencies thereof, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of no less than A or its equivalent.
- 5) Other securities specifically authorized by depository law or by the City's Council.

C. COLLATERAL SAFEKEEPING AGREEMENT:

The City shall not accept, as depository collateral, any security that is not specifically allowed to be held as a direct investment by the City's portfolio and that the maximum maturity of the collateral securities may be no greater than ten years. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The safekeeping agreement must clearly define the responsibility of the safekeeping bank. The safekeeping institution shall be the Federal Reserve Bank or an institution not affiliated with the financial institution or broker/dealer that is pledging the collateral. The safekeeping agreement shall include the authorized signatories of the City and the firm pledging collateral.

D. AUDIT OF PLEDGED COLLATERAL:

All collateral shall be subject to verification and audit by the City Administrator or the City's independent auditors.

XI. SAFEKEEPING AND CUSTODY OF INVESTMENT ASSETS

All security transactions, including collateral for repurchase (reverse) agreements entered into by the City 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 was received by the safekeeping bank. The safekeeping or custody bank is responsible for matching up instructions from the City's investment officials on an investment settlement with what is wired from the broker/dealer, prior to releasing the City's designated funds for a given purchase. The security shall be held in the name of the City or held on behalf of the City in a bank nominee name. Securities will be held by a third party custodian designated by the City Administrator and evidenced by safekeeping receipts. The safekeeping bank's records shall assure the notation of the City's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the City. 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 and money market mutual funds are the only exception to the DVP method of settlement.

XII. MANAGEMENT AND INTERNAL CONTROLS

The City Administrator shall establish a system of internal controls which shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees or Investment Officials of the City.

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 subsidiary 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 Officials.
- 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. Staying informed 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. An annual process of independent review by an external auditor shall be established. This review will provide internal control by assuring compliance with laws, policies and procedures. This annual compliance audit is required by the “Public Funds Investment Act” [Section 2256.005 (m)].

XIII. INVESTMENT POLICY ADOPTION

The City’s investment policy shall be adopted by resolution of the City Council. The policy and general investment strategy statements shall be reviewed on an annual basis by the City Council and any modifications made thereto must be approved by the City Council.

XIV. INVESTMENT STRATEGY STATEMENTS

A. ACTIVE VS. PASSIVE STRATEGY:

The City intends to pursue an active portfolio management philosophy with investment functions carried out either by in-house City staff or by an outside portfolio manager investing the City’s funds with oversight by the City Administrator. Active management means that the financial markets will be monitored and investments will be purchased and sold based on the market conditions, liquidity parameters and legal constraints. Any marketable securities that may be purchased by the City shall have active secondary markets. Securities may be purchased as a new issue or in the secondary markets. Securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the trade or if changes in the market warrant the sale of securities to avoid future losses. Securities may be purchased with the intent from the beginning, to sell them prior to maturity or with the expectation that the security would likely be

called prior to maturity under the analyzed market scenario. Market and credit risk shall be minimized by diversification. Diversification by market sector and security types, as well as maturity will be used to protect the City from credit and market risk in order to meet liquidity requirements.

The portfolio will be structured to benefit from anticipated market conditions and to achieve a reasonable return. Relative value between asset groups shall be analyzed and pursued as part of the active investment program within the restrictions set forth by this policy. The portfolio may be comprised of 100% of direct government obligations, 100% repurchase agreements or 100% in an authorized government investment pool. Other asset types shall be limited to no more than 25% of the portfolio.

SPECIFIC INVESTMENT STRATEGIES FOR EACH TYPE OF FUND GROUP OF THE CITY ARE AS FOLLOWS:

B. OPERATING FUNDS:

Operating Funds shall have as their primary objective 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. These objectives may be accomplished by purchasing money market government investment pools, money market mutual funds or high quality, short to medium term securities in a laddered (maturities coming due regularly and staggered to match cash outflows) or barbell (maturities that are placed very short term and maturities that are longer term, such that the average achieves cash flows and income similar to buying in the middle of those maturity spectrums) maturity structure and by diversification among market sectors.

The dollar-weighted average maturity of operating funds, based on the stated final maturity date of each security, will be calculated and limited to one year or less. However, each of the city's operating funds has a component classified as fund balance or reserve monies. These reserve monies may have a dollar-weighted average maturity of two years or less.

C. CAPITAL PROJECT FUNDS AND SPECIAL PURPOSE FUNDS:

Capital Project Funds and Special Purpose Funds shall have as their primary objective to assure that anticipated cash outflows are matched with adequate investment liquidity. These portfolios should have liquid securities to allow for unanticipated project expenditures or accelerated project outlays due to a better than expected or changed construction schedule. The portfolios shall be invested based on cash flow estimates to be supplied by the City Engineer and a capital project report completed by the City Administrator. The dollar-weighted average life of the portfolio should be matched or below the duration of the liabilities. Funds invested for capital projects may be from bond proceeds that are subject to arbitrage rebate regulations. The City will manage these funds as previously described but will conduct an arbitrage rebate calculation annually to determine the income, if any, that has exceeded the arbitrage yield of the bond. This positive arbitrage income will be averaged over a five-year period and rebated to the federal government according to federal arbitrage regulations. A secondary objective of these funds is to achieve a yield equal to or greater than the arbitrage yield of the applicable bond.

D. DEBT SERVICE FUNDS:

Debt Service Funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date.

E. DEBT SERVICE RESERVE FUNDS:

Debt Service Reserve Funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund within the limits set forth by the bond ordinance or debt covenants specific to each individual bond issue. Individual securities may be invested to a stated final maturity of five years or less and no more than a three-year dollar-weighted average life.