



Debt and Financial Policies

Present to Finance and Internal Service Committee on March 13, 2023

Debt Policy

- Debt is currently discussed in the Financial Policies
- Developing a stand alone debt policy:
 - Provides transparency of process
 - Promotes consistency and continuity in decision making
 - Contributes to fiscal sustainability
 - Identifies objectives for staff to implement
 - Demonstrates a commitment to longer term financial planning objectives
 - Improves rating agencies review process

Debt Policy Focus

- Not issue debt to finance current operation.
- Issue debt for capital projects and capital equipment
- Types of debt financing
 - General Obligations Bonds
 - Certificate of obligation bonds
 - Lease/purchase agreements
 - Other obligations permitted by Texas law
- Review impact of debt service requirements over a period of time
 - Debt capacity
 - 5 year Capital Improvement Plan
- Work closely with City's Financial Advisor and Bond Counsel

Debt Policy - Measurement

- Ensure the flexibility to meet future capital needs
- Maximum Maturity – earlier of
 - Estimate useful life of Capital Improvement/Equipment being financed
 - 20 years except for special purpose debt as determined by City Council which may be finance for periods consistent with the purpose of the debt
 - Refinancing debt, the final maturity of the debt obligations being refinanced.
- Monitor and report debt to City Council at least annually
 - Budget process
- Evaluate debt capacity

Debt Policy – Measurement (Con't)

- Evaluate debt capacity
 - 5 year CIP Plan
 - Growth of the City
 - Reduce levels of debt service payments over life of existing bonds
- Self-supporting debt
 - Bonds backed with general obligation pledge
 - Strong bond rating for lower interest rate than revenue bonds
 - Debt service payments supported by revenues generated from respective fund.
 - 4A Economic Development Corporation
 - 4B Community Service Corporation
 - Water and Waste Water Operations
 - Tax Increment Financing (TIF)

Debt Policy – Measurement (Con't)

- Net Debt Per Capita
 - Amount of debt outstanding per citizen
 - Tax supported debt
 - Strive to be “at or below \$3,000”
 - Current Net Debt per Capita is \$1,181
 - Low due to overall tax supported debt has been reduced
 - Historically it has been as high as \$1,634

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	(Net) G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of (Net) G.O. Tax Debt to Taxable Assessed Valuation	(Net) G.O. Tax Debt Per Capita	% of Total Tax Collections
2018	43,960	\$ 3,631,532,375	\$ 82,610	\$ 71,847,552	1.98%	\$ 1,634	99.64%
2019	45,846	4,008,018,365	87,424	71,437,552	1.78%	1,558	99.60%
2020	45,620 ⁽⁶⁾	4,393,345,069	96,303	66,976,129	1.52%	1,468	99.01%
2021	46,540	4,707,770,267	101,155	59,462,359	1.26%	1,278	99.95%
2022	47,730	4,778,035,520	100,106	56,357,367 ⁽⁴⁾	1.18% ⁽⁴⁾	1,181 ⁽⁴⁾	94.47% ⁽⁵⁾

2022 Official Statement

Debt Policy – Measurement (Con't)

- Net Debt to Assessed Value Ratio
 - Fiscal capacity of the tax base
 - Strive to be “at or below 3%
 - Current ratio is 1.18%
 - Low due to reduction of debt over the last 4 years
 - Historically, ratio has been as high as 1.98%

SELECTED FINANCIAL INFORMATION							
Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	(Net) G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of (Net) G.O. Tax Debt to Taxable Assessed Valuation	(Net) G.O. Tax Debt Per Capita	% of Total Tax Collections
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2022 Official Statement

Debt Committee

- Finance and Internal Service Committee
 - Designated as the Debt Committee
 - Oversee the debt policy
 - Shall meet as needed throughout the fiscal year.

2022 Official Statement

Financial Policy

Financial Policy Update

- Last update was on 6/21/2021
- Updates are focused on:
 - Current processes
 - Frequency of meeting
 - Timeline requirement
 - New Debt Policy

Financial Policy Update

- Statement of Purpose (Page 1)

The more specific purpose is to provide guidelines to ~~the Finance Director Management~~ in planning and directing the City's ~~day-to-day financial affairs~~ and in developing recommendations to ~~the City Manager and~~ City Council.

Focus on providing guidelines to Management

The scope of the financial policies include the City's investment, debt and continuing disclosure policies covering areas such as ~~se policies generally spans, among other issues,~~ accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, debt management, and planning concepts, in order to:

Expansion of Financial Policy to include Investment, Debt and Continuing Disclosure Policies

Financial Policy Update

- General Implementation and Compliance Guidelines (Pages 1 & 2)

A. FINANCE COMMITTEE. The Finance and Internal Services City Council Committee, the City Manager, and the Finance Director shall be designated as the Finance Committee. The committee may meet ~~annually~~quarterly, or as needed. ~~The committee will report to the City Council within 10-14 days after each meeting.~~ The function of the committee will be:

- 1) Fiscal policy review
- 2) Auditor selection recommendation
- 3) Investment and Debt policy review and guidance
- 4) Long-range planning

Revised meetings from quarterly to at least annually. Removed reporting requirement to report to City Council within 10-14 days after each meeting.

C. IMPLEMENTATION, COMPLIANCE, ACCOUNTABILITY AND REVIEW. The Finance Director will be ~~accountable~~responsible for implementing these policies and will, to the best of his or her knowledge, make the City Manager, Finance Committee and the City Council aware of any variances in practice from these policies or any other deviation from prudent financial practices in accordance with GAAP, the city charter, state laws and/or ethics of the profession. ~~Any variances will be presented at quarterly meetings of the Finance Committee, unless there is a need for a special meeting.~~

Revised wording to “responsible”. Removed last sentence regarding quarterly meeting.

Financial Policy Update

- Accounting, Auditing, and Financial Reporting (Page 2)

A. ACCOUNTING. The City is solely responsible for the reporting of its financial affairs, both internally and externally. The City Manager is the City's Chief Fiscal Officer and the head of the administrative branch of the City government. ~~The Director of Finance is appointed by the City Manager to have full charge of the administration of the financial affairs of the City. The City Manager may delegate some or all of the financial administration but will maintain supervisory authority over all functions~~ as specified in the City's Charter Article VII, Section 68.

Revised wording to say City Manager may delegate some or all of the financial administration but will maintain supervisory authority over all functions.

B. AUDITING. An independent certified public accounting (CPA) firm will perform annual financial audits.

3) Timing. The auditor's report on the City's financial statements will be completed within ~~18~~50 days of the City's fiscal year end.

Revised timeline to complete annual financial report from 150 days to 180 days. Aligned with State requirements.

4) Management Letter. The independent CPA firm shall provide a management letter, if one is issued, no later than March 31 following the end of each fiscal year. The auditor will prepare and will jointly review the management letter with the Finance Committee ~~within 20 working days of its receipt by the staff. Within 10 days of this joint review,~~ the Finance Director shall respond in writing to the City Manager and City Council regarding the auditor's management letter, addressing the issues contained therein. The Council shall schedule its formal acceptance of the auditor's report upon the resolution of any issues resulting from the joint review.

Removed timeline for communicating management letter.

Financial Policy Update

- Section B. Audit – continued (Page 3)

~~7) Auditor Accountability to Staff. The following will be provided to City Staff by the auditor:~~

- ~~a. Hourly time sheets accounting for time spent both by audit phase and level of auditor will be submitted to the City on a monthly basis.~~
- ~~b. Copies of all work papers, either electronically or on paper, will be furnished to the City upon completion of the audit. Originals will be maintained at the auditor's office.~~

Removed section

Financial Policy Update

- C. Financial Reporting (Page 3)

- 1) External Reporting.

- a. Scope. The Annual Comprehensive Financial Report shall be prepared in accordance with generally accepted accounting principles (GAAP).
 - b. Timing. The Report shall be presented to the Council within ~~18~~50 calendar days of the City's fiscal year end. If City staffing limitations preclude such timely reporting, the Finance Director will inform the City Council of the delay and the reasons thereof.
 - c. Awards. The Report shall be presented annually to the Government Finance Officer's Association (GFOA) for evaluation and consideration for the Certificate of Achievement for Excellence in Financial Reporting. ~~(For a discussion of this award, see XI.C. below).~~

Minor changes. Revised number of days from 150 to 180.

- ~~2)~~ Internal Reporting. The Finance Department will prepare internal financial reports, sufficient to plan, monitor, and control the City's financial affairs. Internal financial reporting objectives are addressed throughout these policies. ~~(See Section IV, Budgeting, C. Reporting, below).~~

Financial Policy Update

- Operating Budget (Page 4)

B. BALANCED BUDGET. The operating budget will be balanced with current revenues and other resources greater than or equal to current expenditures/expenses. Use of beginning balances and other reserves to balance operations will be will be discussed with City Council during the budget process.~~disclosed in the document with the underlying rationale.~~

- Revenue Management (Page 5)

5) DIVERSIFICATION AND STABILITY. In order to protect from fluctuations in a revenue source due to changes~~fluctuations~~ in the economy and variations in weather, a diversified revenue system will be maintained ~~which has a stable source of income to provide stability. This stability is also achieved by a balance between elastic and inelastic sources of revenues.~~

6) GRANTS AND RESTRICTED REVENUES. In order to maintain flexibility in the revenue system, grants and restricted revenues~~restricted revenues will be kept to a minimum, and~~ shall be pursued on a cost-benefit basis. All grants and other federal/state, and restricted funds shall be managed and accounted to comply with the laws, regulations, and guidance of the grantor.

Revised wording

Financial Policy Update

- Revenue Management (Page 7)

- 7) REVENUE MONITORING. Revenues received will be ~~regularly~~ compared to budgeted revenues through out the fiscal year and significant variances will be investigated. ~~This process will be summarized in the appropriate budget report.~~

Updated to current process

- Expenditure Control (Page 8)

- A. APPROPRIATIONS. The level of budgetary control is at the fund level for all operating funds~~Department level budget in the General and Enterprise Funds, and at the fund level in all other funds. When budget adjustments among Departments and/or funds are necessary, these must be approved by the City Council.~~ Budget appropriations amendments at lower levels of control, which is defined as transfers ~~that increase budgetary fund balances~~, shall be made in accordance with the applicable administrative procedures.

Update to current process

Financial Policy Update

- Expenditure Control (Page 9)

H. AUTHORIZATION OF PAYMENT. Two signatures are required to conduct business of behalf City of Burleson, Texas. ~~Both~~^{OTH} the City Manager and the Director of Finance, or their designee(s), are hereby authorized to execute the required Agreement with the Bank Depository. Designee(s) who are authorized to transact business on behalf of the City Manager are a City of Burleson's Deputy City Manager or the City Secretary. The designee who is authorized to transact business on behalf of the Director of Finance is the City of Burleson's Assistant Director of Finance and Controller. ~~Payments may use reproducible authorized signature(s) or ACH (automated clearinghouse)~~

Revise and update to current process

- Capital Budget and Program (page 11)

A. PREPARATION. The City will ~~endeavor to~~ develop a 5 year capital improvement plan (CIP) budget to include all capital projects being considered and all resources for capital funding. The budget will be prepared on a fiscal year ending calendar and reported annually. The 5 year CIP capital budget will be prepared by Department Director and presented to City council during the budget process. ~~the~~ Finance Director will work closely with Department to ensure funding capacity is available. ~~with the involvement of all department staff as needed.~~

Financial Policy Update

- Fund Classification (Page 13)

- 1) General Fund

- ~~i. 001 General Fund~~
- ~~ii. 002 General Fund — Health Insurance — Assigned~~

- 2) DEBT SERVICE FUNDS RESTRICTED:

- ~~i. 201 Debt Service Fund — General — Restricted~~
- ~~ii. 202 4B Sales Tax Debt Service — Restricted~~
- ~~iii.i. 203 4A Sales Tax Debt Service — Restricted~~

- 4) CAPITAL PROJECT FUNDS NON-BONDED - COMMITTED

- ~~i. 301 Street Paving Trust — Committed~~
- ~~ii. 302 Park Dedication Fund — Committed~~
- ~~iii. 352 Miscellaneous Capital Projects — Committed~~
- ~~iv. 351 4A Sales Tax Capital Project Fund — Committed~~
- ~~v. 350 4B Sales Tax Capital Project Fund — Committed~~
- ~~vi. 353-354 Mineral Lease Funded Capital Projects — Committed~~

- 3) SPECIAL REVENUE FUNDS RESTRICTED/COMMITTED

- ~~i. 101 General Government SRF — Restricted~~
- ~~ii. 102 Public Safety SRF — Restricted~~
- ~~iii. 103 Public Works SRF — Restricted~~
- ~~iv. 104 Culture & Recreation SRF — Restricted~~
- ~~v. 105 Hotel/Motel SRF — Restricted~~
- ~~vi. 106 BCDC 4B Sales Tax SRF — Restricted~~
- ~~vii. 107 Public Safety Grants SRF — Restricted~~
- ~~viii. 109 Culture & Recreation Grant SRF — Restricted~~
- ~~ix. 110 BCDC 4A Sales Tax SRF — Restricted~~
- ~~x. 113 Economic Development Incentive SRF — Restricted~~
- ~~xi. 114 TIF #2 SRF — Restricted~~
- ~~xii. 115 Traffic Safety SRF — Restricted~~
- ~~xiii. 116 Parks Performance SRF — Committed~~
- ~~xiv.i. 117 General Government Grants SRF — Restricted~~

Financial Policy Update

- Fund Classification (Page 14)

4) CAPITAL PROJECT FUNDS NON-BONDED - COMMITTED

- i. ~~301 Street Paving Trust — Committed~~
- ii. ~~302 Park Dedication Fund — Committed~~
- iii. ~~352 Miscellaneous Capital Projects — Committed~~
- iv. ~~351 4A Sales Tax Capital Project Fund — Committed~~
- v. ~~350 4B Sales Tax Capital Project Fund — Committed~~
- vi. ~~353-354 Mineral Lease Funded Capital Projects — Committed~~

- 4) ~~When it is appropriate for fund balance to be assigned, the Council delegates that authority to the Director of Finance.~~

Removed wording. Assigning fund balance should be approved by City Council

Financial Policy Update

- Debt Management (Page 15-17)

B. ~~TYPES OF DEBTS~~ DEBT MANAGEMENT The City's Debt Management Policy establishes parameters and provides guidance governing the issuance, management, continuous evaluation of and reporting on all debt obligations issued by the City, and to provide for the preparation and implementation necessary to ensure compliance and conformity with this policy.

- a. ~~SHORT TERM DEBT.~~ Pursuant to the City Charter, tax anticipation notes ("TAN") will be retired annually and will not exceed 25% of anticipated taxes. Bond anticipation notes ("BAN") will be retired within six months of completion of the project. Any short-term debt outstanding at year-end will not exceed 5% (including TAN but excluding BAN) of net operating revenues.
- b. ~~LONG TERM DEBT.~~ Long-term debt will not be used for operating purposes, and the life of a bond issue will not exceed the useful life of a project financed by that bond issue.
- c. ~~SELF-SUPPORTING DEBT.~~ When appropriate, self-supporting revenues will pay debt service in lieu of tax revenues.

Update to reference debt policy and remove debt information from this policy

Financial Policy Update

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- b. ~~LONG TERM DEBT.~~ Long-term debt will not be used for operating purposes, and the life of a bond issue will not exceed the useful life of a project financed by that bond issue.
- c. ~~SELF-SUPPORTING DEBT.~~ When appropriate, self-supporting revenues will pay debt service in lieu of tax revenues.

Update to reference debt policy and remove debt information from this policy

Financial Policy Update

- Awards, Credentials and Recognition (Page 19)

The City will strive to maintain a high level of excellence in its accounting policies and practices as it prepares its Financial Report. The Report will be presented to the Government Finance Officers Association (GFOA) for review of qualifications necessary to obtain the Certificate of Achievement for Excellence in Financial Reporting. Additionally, the City will submit its annual budget to GFOA for consideration for Distinguished Budget Award, and submit Investment Policy to obtain the Certificate of Distinction from the Government Treasurers' Organization of Texas.

Add GTOT Distinction

Financial Policy Update

- Attachment A – Authorized Individuals for Wire Transfers

Any **two** individuals listed below are hereby authorized to:

1. Execute wire transfers for security purchases executed on a delivery vs payment basis and for which custodial safekeeping is maintained at an approved institution.
2. Execute wire transfers to approved investment pools and paying agents.
3. Make a wire transfer for any other purpose. Any revision, addition or deletion involving an approved custodial agent, investment pool, or paying agent. .

~~The City Council shall approve the additions or deletions of any custodial agent, investment pool, or paying agent as shown in attachment "A", "B" and "C".~~ Revisions will be provided to the Finance Committee at their next ~~regularly~~ scheduled meeting.

Director of Finance
City Manager
Deputy City Manager
Assistant Finance Director
Controller
Chief Accountant
Senior Accountant
Supervisory Accountant

Changes to Attachment A will be approved as part of the Financial Policy.

Option

- Finance and Internal Service Committee:
 - Recommend approval of Debt Policy and Finance Policy Updates.
 - Does not recommend approval of Debt Policy and Finance Policy Updates
- Staff recommends approval

QUESTIONS/COMMENTS