



# Financial and Debt Policy Review and Recommended Updates

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CITY COUNCIL FINANCE COMMITTEE

MAY 27, 2026

# Financial and Debt Policy Review

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- Policies are designed to evolve and adapt over time.
- Annual review supports transparency and clarity.
- Incorporate updates to internal processes.
- Ensure compliance and reflect current best practices.



# Financial Policies

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# Purpose of the Financial Policies

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- Promote long-term financial stability and positive financial condition
- Establish guiding principles: integrity, stewardship, planning, accountability, and disclosure
- Provide management guidance for financial planning and recommendations
- Ensure compliance with GAAP, GASB, Texas Local Government Code, and legal mandates

# Policy Scope

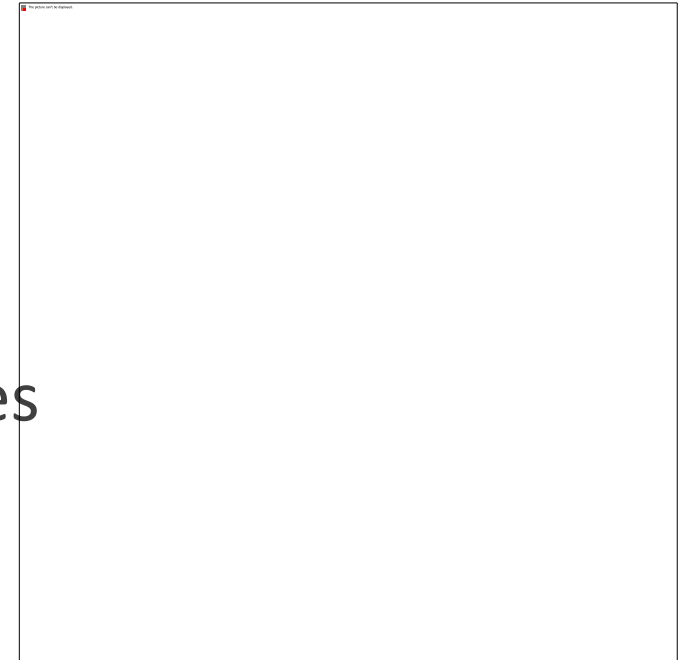
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- Accounting, auditing, and financial reporting
- Internal controls and operational budgeting
- Capital budgeting and revenue management
- Cash, investments, and debt management
- Expenditure controls and financial planning
- Investment, debt, and continuing disclosure policies

# Governance and Oversight

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- Finance Committee meets at least quarterly
- Committee responsibilities include policy review, auditor recommendations, debt and investment guidance, and long-range planning
- City Council annually approves financial policies
- Finance Director responsible for implementation, compliance, and reporting variances



A wooden desk with a calculator, glasses, and a document with charts and tables. The document features a large bar chart at the top, a smaller bar chart below it, and two pie charts at the bottom. A black pen and a black marker are resting on the document. The calculator is in the top left corner, and a pair of glasses is on the left side of the desk.

# Accounting and Auditing Standards

- Annual independent audit by certified public accounting firm
- Auditor selected in accordance with Texas Local Government Code Chapter 103
- Audit completed within 180 days of fiscal year-end
- Management letter reviewed with management and Finance Committee
- Audit services proposals solicited at least every five years

# Financial Reporting

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Annual Comprehensive Financial Report (ACFR) prepared in accordance with GAAP



ACFR presented within 180 days of fiscal year-end



Pursue GFOA Certificate of Achievement for Excellence in Financial Reporting



Internal reports prepared regularly for operational monitoring and decision-making

## Operating Budget Process

- Budget developed collaboratively by City Manager and departments
- Budget presented 60–90 days prior to fiscal year-end
- Balanced budget required using current revenues and resources
- Five-year financial forecast prepared annually
- Public hearings and City Council participation incorporated into process

# Budget Structure and Controls

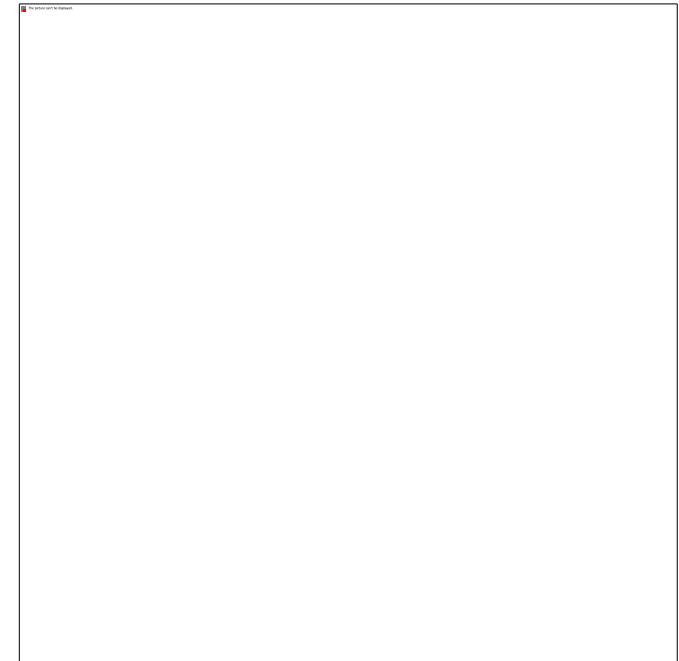
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- Budget includes personnel, operations, capital projects, and revenues
- Modified accrual basis used for governmental funds
- Full accrual basis used for utility funds
- Monthly financial reports provided to departments and Council
- Encumbrances carried forward and adjusted in current year budgets

# Revenue Management Principles

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- Revenue system should emphasize simplicity, certainty, equity, and efficiency
- Diversified revenue base maintained to reduce economic risk
- Grants pursued on a cost-benefit basis
- One-time revenues restricted to one-time expenditures
- Annual review of fees and service charges



# Property Taxes and Utility Rates

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Property values based on appraisal district valuations



98% annual property tax collection goal



Delinquent taxes aggressively pursued



Utility rates reviewed annually



Utility rates designed to fully recover operational and debt obligations



Utility transfers include administrative charges, franchise fees, and PILOT payments

# Operational Controls and Payments

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- Prompt payment of approved invoices within 30 days
- Risk management focused on minimizing liability exposure
- Dual authorization required for investments and payments
- Electronic transfer duties separated for internal control purposes

## Asset Management

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Idle cash invested in accordance with Texas Public Funds Investment Act

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Centralized cash management maximizes investment opportunities

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Fixed assets safeguarded, insured, and tracked

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Annual physical inventory required for all departments maintaining inventory

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Depository institutions may be located within five miles of City Hall

# Capital Improvement Program (CIP)

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- Five-year Capital Improvement Plan developed annually
- Capital projects appropriated at project level
- Finance Department certifies funding availability before project approval
- Future maintenance and operational costs evaluated during project planning
- Infrastructure maintenance prioritized to reduce future replacement costs

# Financial Stability and Reserve Policies

Operating revenues plus approved fund balance appropriations must meet or exceed expenditures

Avoid use of one-time resources for recurring operations

General Fund unassigned balance target: minimum 20% of expenditures

Utility and economic development funds maintain 20% working capital target

Debt service reserves maintained in accordance with bond covenants

# Debt and Treasury Management

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- Idle cash invested to safeguard assets, maintain liquidity, and maximize returns
- Investments governed by Public Funds Investment Act and City Investment Policy
- Debt Management Policy governs issuance and monitoring of obligations
- Coverage ratios maintained for revenue bonds and economic development obligations

# Internal Controls

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Written financial procedures maintained for all financial functions

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Managers responsible for implementing and monitoring internal controls

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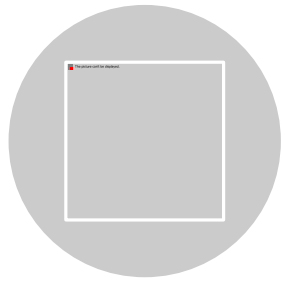
Controls designed to ensure accuracy, compliance, and protection of resources

■ The process of the business

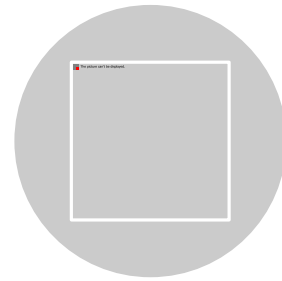
Internal controls support operational effectiveness and achievement of goals

# Staffing, Training, and Professional Development

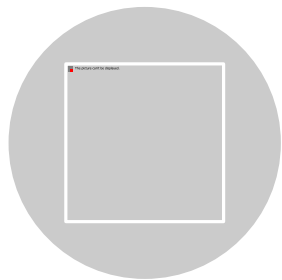
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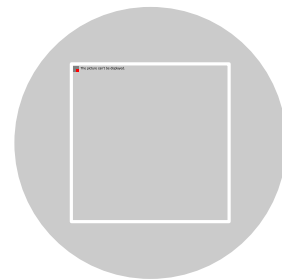
Staffing levels maintained to support effective fiscal operations



Continuing education and professional certifications encouraged



Support for GFOA awards and recognitions



Finance staff expected to share training and knowledge organization-wide

# Transparency and Public Accountability

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- Financial information presented in user-friendly formats
- City pursues state and national transparency recognitions
- Continuing disclosure policies incorporated into financial practices
- Commitment to accountability and public trust

# Recommended Updates

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# Financial Policy Recommended Updates

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## VI. Expenditure Control:

- Equipment Financing: Recommend replacing language to match the ERF policy.

F. ~~EQUIPMENT FINANCING. Equipment is accounted for at the original acquisition cost, which includes purchase price plus any costs incurred to place the equipment in service. Equipment may be leased or financed when the unit purchase price is \$5,000 or more and the useful life is at least five years. Departments shall contact the Finance Department for transfer or disposal instructions.~~ Vehicles and equipment with a replacement cost greater than \$300,000 will be funded by the issuance of certificates of obligation, and the debt service payment will not exceed the unit's useful life.

# Financial Policy Recommended Updates

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**Update terminology consistency:** State - "Annual Comprehensive Financial Report (ACFR)" throughout.

# Debt Management Policy

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# Purpose of the Debt Management Policy

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- Establish parameters for issuance and management of debt obligations
- Provide guidance for evaluation, reporting, and compliance
- Promote transparency, continuity, and fiscal sustainability
- Support long-term financial planning objectives
- Strengthen bond rating agency review process

# Policy Objectives

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- Maintain or improve the City's bond rating
- Minimize borrowing costs
- Preserve access to capital markets
- Ensure compliance with IRS post-issuance regulations
- Provide consistent guidance for debt issuance decisions

# Policy Statement and Authority

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- Debt issued under Federal and State law, City Charter, ordinances, and resolutions
- Debt used for infrastructure, capital assets, and refinancing opportunities
- Applies to all debt instruments regardless of funding source
- Debt may be secured by taxes, enterprise revenues, or other identifiable revenues

# General Debt Governing Policies

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- Debt will not be used for current operations or routine maintenance
- Permissible debt includes GO bonds, COs, revenue bonds, lease purchases, and other authorized obligations
- Outstanding debt reviewed annually for refunding opportunities
- Refundings generally require minimum 3.5% present value savings

# Debt Policy Recommended Updates

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## General Debt Governing Policies:

- The City shall review its outstanding debt annually for the purpose of determining if the financial marketplace will afford the City the opportunity to refund an issue and lessen its debt service cost. As a general rule, the net present values savings of an overall-particular refunding should exceed three and one-half percent (3.5%) of the refunded maturities, unless a restructuring or bond covenant revision is necessary in order to facilitate the ability to provide services or issue additional debt in accordance with the established debt policies.

# Debt Policy Recommended Update

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## General Debt Governing Policies:

- To maximize market agility and achieve the lowest True Interest Cost (TIC), the City may elect to use a parameter ordinance to authorize the sale of debt obligations. Such an ordinance shall delegate the authority to a designated Pricing Officer to execute the final sale of bonds, provided that the final terms—including maximum interest rate, maximum principal amount, and expiration of authority—fall within the specific limits established by the City Council within the ordinance.

# QUESTIONS

