

Budget, Finance, Fraud & Investments

Budgeting Processes

The budgeting process involves financial planning, revenue forecasting, and public input to prioritize spending and ensure fiscal responsibility.

Governance procedures establish the process for developing and adopting the city budget, which allocates funds for essential services, programs, and capital projects.

A majority vote of the council members present and voting is required for adoption.

1. Budget Development:

The City Manager, in collaboration with department heads, shall develop a proposed budget for consideration by the City Council.

Budget instructions and guidelines will be provided to departments to facilitate the preparation of budget requests.

The proposed budget shall include revenue projections, expenditure estimates, and performance metrics to measure outcomes and effectiveness.

2. Public Input:

Opportunities for public input on the budget shall be provided through public hearings, community forums, and online platforms.

Residents, businesses, and stakeholders may submit feedback and suggestions for consideration during the budget process.

3. City Council Review and Adoption:

The City Manager shall present the proposed budget to the City Council for review and deliberation.

The City Council shall conduct public hearings and workshops to review the budget, ask questions, and make adjustments as necessary.

A final budget shall be adopted by the City Council through resolution or ordinance before the start of the fiscal year.

4. Budget Monitoring and Reporting:

The City Treasurer shall monitor budget performance throughout the fiscal year, comparing actual revenues and expenditures to budgeted amounts.

Regular financial reports shall be provided to the City Council and the public to ensure transparency and accountability.

Finance Policy

(Presented for Council approval 11/17/2024)

1. General Fund Reserves

The city shall maintain a prudent level of reserves in the General Fund to ensure financial stability and protection against unforeseen financial challenges. A minimum of 75%, or 9 months, of the annual operating budget shall be held in reserve. These reserves can be used only under specific conditions, such as emergencies or significant financial downturns, and any use must be approved by the City Council. A plan to replenish the reserves within a reasonable timeframe must accompany any approved use.

2. Reserves in Other Funds

Reserve policies similar to those of the General Fund shall apply to other funds, particularly enterprise funds that support self-sustaining services. These funds must maintain reserves sufficient to cover operating expenses for a minimum of 6 months and address potential liabilities or emergencies. The use of these reserves requires City Council approval and must align with the city's long-term financial health.

3. Grants Administration

The city shall actively pursue grant opportunities to supplement local funding for projects and services. The Mayor and City Treasurer are responsible for the administration of grants, ensuring compliance with federal, state, and local regulations. Quarterly progress reports will be submitted to the City Council, and all financial transactions related to grant funding will undergo periodic audits.

4. Debt Management

Permissible debt instruments include general obligation bonds, revenue bonds, certificates of obligation, and other legally allowed instruments. Debt issuance is restricted to capital projects with clearly identified revenue streams for repayment or those deemed essential to city infrastructure. The city shall maintain debt levels such that the combined annual debt service payments do not exceed 15% of the annual operating budget. This policy allows for debt to be structured over multiple years, provided that the total annual debt obligations remain within this 15% threshold. The city will also comply with all continuing disclosure requirements.

6. Economic Development

The city may offer subsidies, tax incentives, or other financial incentives to encourage private development in line with community economic development goals. Such incentives shall be used strategically to attract businesses, create jobs, and enhance the tax base while ensuring a positive long-term financial impact on the city. All economic development agreements require City Council approval and must include performance benchmarks for accountability.

7. Financial Reporting Requirements

Internal Reporting:

The City Treasurer shall prepare and distribute quarterly financial reports. These reports, including statements of revenues and expenditures, balance sheets, cash flow statements, and variance analyses comparing actual results to budgeted amounts, will support financial performance monitoring and informed decision-making.

External Reporting:

The City Treasurer shall prepare Annual Comprehensive Financial Reports (CFR) in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) standards. An independent certified public accounting firm will audit the CFR annually. The audited financial statements shall be presented to the City Council for review and approval, after which the CFR will be made publicly available through the city's website and at City Hall.

8. Risk Management and Internal Controls

The city shall implement robust risk management and internal control policies designed to safeguard assets, ensure accurate financial reporting, and prevent fraud, misuse, or inefficiencies in operations.

Internal controls will be structured to include comprehensive measures such as the segregation of duties to reduce the risk of errors or collusion, requiring multiple levels of authorization for financial transactions, and implementing access controls for sensitive financial systems and records.

Regular internal audits will be conducted to evaluate the effectiveness of controls, ensure compliance with applicable laws and policies, and identify areas for improvement.

Continuous monitoring will include automated and manual reviews of financial transactions to detect anomalies or irregularities promptly.

Further, all city staff involved in financial activities will undergo regular training on best practices for financial management, fraud prevention, and compliance.

9. Procurement Policies and Procedures

Procurement Process:

All city purchases shall adhere to a competitive bidding process whenever practical and cost-effective, ensuring transparency and value for money. Procurement methods may include competitive sealed bidding, competitive sealed proposals, requests for qualifications (RFQs), and requests for proposals (RFPs). The method of procurement will be determined by the nature, complexity, and value of the goods or services being acquired. In cases of emergency procurement, the standard competitive process may be bypassed with appropriate justification and documentation.

Procurement Goals for Historically Underutilized Businesses (HUB):

The city is committed to promoting diversity and inclusion in its procurement practices, creating opportunities for minority-owned, women-owned, and other historically underutilized businesses (HUBs) to participate in city contracts. Goals for Minority and

Women Business Enterprise (MWBE) participation are set to reflect the diversity of Houston and support the growth of these businesses across various industries. These goals will be adjusted as necessary based on marketplace conditions and community demographic changes to ensure continued alignment with the city's priorities and economic realities.

	Goal	Rationale	Implementation
Construction Contracts	35% MWBE participation for total contract value.	Reflects Houston's large MWBE representation in the construction sector and promotes equity in city-funded infrastructure projects.	Require prime contractors to allocate at least 35% of their project work to certified MWBE subcontractors.
Professional Services	25% MWBE participation for services such as legal, consulting, and financial contracts.	Addresses the underrepresentation of MWBEs in high-skill industries while aligning with Houston's diverse workforce demographics.	Encourage MWBEs to compete as prime contractors and provide mentorship or joint venture incentives for partnerships.
Goods and Supplies Procurement	20% MWBE participation in city purchases for office supplies, vehicles, and equipment.	Leverages the presence of MWBEs in Houston's growing wholesale and distribution sectors.	Establish a streamlined process and preferential pricing consideration for MWBE vendors.
Technology and Innovation	15% MWBE participation for contracts related to technology services, including software development, IT support, and data management.	Encourages MWBE growth in Houston's emerging technology sector, fostering innovation and competitiveness.	Partner with local incubators to develop MWBE capacity and offer technical assistance for bidding.
Renewable Energy and Sustainability Projects	10% MWBE participation for renewable energy initiatives, such as solar panel installation and energy efficiency programs.	Stimulates MWBE involvement in Houston's rapidly growing renewable energy market and aligns with city sustainability goals.	Establish pilot programs targeting MWBE subcontractors for green projects and provide training programs for capacity-building.
Small Business Set-Asides	Reserve 10% of all contracts below \$500,000 exclusively for certified MWBEs.	Supports smaller MWBEs that might lack capacity for larger projects but are critical to Houston's economic ecosystem.	Require at least two competitive MWBE bids to award set-aside contracts.

10. Cash Handling & Petty Cash Management

Cash Handling Procedures:

The City Treasurer shall establish and enforce strict procedures for handling city funds to prevent fraud, theft, and misuse. These procedures include segregation of duties, dual controls for cash counting, depositing, and reconciliation, regular reconciliations of cash receipts with bank deposits and accounting records, and secure storage of cash.

Petty Cash Management:

Petty cash funds shall be maintained for small, incidental expenses that cannot be efficiently processed through the normal accounts payable system. The City Treasurer, designated as the custodian, is responsible for maintaining accurate petty cash records and ensuring compliance with city policies. Reimbursements and replenishments must be supported by original receipts and authorized by the City Treasurer.

11. Purchasing Card Policy & Procedures

The city shall issue purchasing cards (P-cards) to authorized employees to facilitate small-dollar purchases and reduce administrative overhead. Each P-card shall have a usage limit determined by the City Council based on the cardholder's purchasing needs. P-cards may only be used for approved purchases in compliance with the city's procurement policies, and personal use is strictly prohibited. Cardholders must submit receipts and a monthly reconciliation of P-card transactions to the City Treasurer for approval.

12. Long-Term Financial Planning

The city is committed to taking a long-term approach to financial health, which includes regularly updating a multi-year financial plan that aligns with the city's strategic goals. This plan shall project revenues, expenditures, and capital needs over at least five years and guide budget development and financial decision-making. The plan shall be reviewed and updated annually to reflect changes in the city's financial condition and priorities.

Financial Fraud & Misconduct Policy

Approved by City Council 8/11/2016

Objective:

The objective is to enforce controls and to aid in the prevention and detection of fraud, theft, waste, or abuse against the City. This policy applies to any fraud, theft, waste or abuse (or suspected fraud, theft, waste or abuse) involving an employee, council member, a consultant, vendor, contractor, outside agency or person doing business with the City or in any other relationship with the City. As with all business exposures, we must be prepared to manage these risks and their potential impact in a professional manner.

Introduction:

The impact of misconduct and dishonesty may include:

- the actual financial loss incurred
- damage to the reputation of our organization and our employees
- negative publicity
- the cost of investigation
- damaged relationships with our contractors and suppliers
- litigation
- damaged employee morale

Our goal is to establish and maintain a business environment of fairness, ethics and honesty for our employees, our customers, our suppliers and anyone else with whom we have a relationship. To maintain such an environment requires the active assistance of every employee and council member every day.

Our organization is committed to the deterrence, detection and correction of misconduct and dishonesty. The discovery, reporting and documentation of such acts provides a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders (up to and including dismissal where appropriate), the referral to law enforcement agencies when warranted by the facts and the recovery of assets.

Purpose:

The purpose of this document is to communicate to our employees the City's policy regarding the deterrence and investigation of suspected misconduct and dishonesty by employees and others and to provide specific instructions regarding appropriate action in case of suspected violations.

The City of Hilshire Village does not tolerate fraud, theft, waste or abuse. The City's policy is to promote consistent, legal and ethical organizational behavior by:

- assigning responsibility for reporting fraud, theft, waste or abuse
- providing guidelines to conduct investigations of suspected fraudulent behavior

Definition of Misconduct and Dishonesty:

For purposes of this policy, misconduct and dishonesty include:

- theft or other misappropriation of assets, including assets of the City, our customers, suppliers or others with whom we have a business relationship
- intentional misstatements and other irregularities in City records, including the intentional misstatement of the results of operations;
- forgery or other alteration of documents; and
- fraud.

The City specifically prohibits these illegal activities in the actions of its employees, City council and others responsible for carrying out the organization's activities.

Policy and Responsibilities

Reporting:

It is the responsibility of every employee or City Council Member to immediately report suspected misconduct or dishonesty to the Mayor, a City Council Member or to the City's Attorney. When the Mayor, City Council Member or City Attorney is made aware of such potential acts by subordinates, he/she must report such acts to the rest of City Council in an Executive Session. Any reprisal against any employee or other reporting individual because that individual, in good faith, made such a report is strictly forbidden.

Every effort will be made to protect the rights and the reputations of everyone involved, including the individual who in good faith alleges perceived misconduct as well as the alleged violator(s).

Additional Responsibilities of Supervisors:

All employees or council members have a responsibility to report suspected violations. However, employees with supervisory responsibilities at any level have additional deterrence and detection duties.

First, you must become aware of what can go wrong in your area of authority.

Second, you must put into place and maintain effective monitoring, review and control procedures that will prevent acts of wrong doing.

Third, you must put into place and maintain effective monitoring, review and control procedures that will detect acts of wrong doing promptly should prevention efforts fail.

Authority to carry out these three additional responsibilities is often delegated to subordinates. However, accountability for their effectiveness cannot be delegated and will remain with supervisors.

Responsibility and Authority for Follow Up and Investigation:

The Police Department or any other investigative Enforcement Agency with jurisdiction over such a matter has primary responsibility for all investigations involving the City. The Police Department or other Enforcement Agency may request the assistance of a Supervisor or Council Member in any investigation, including access to Finance's periodic examinations and evaluations of internal controls.

Properly designated members of the investigative team will have:

- free and unrestricted access to all City records and premises, whether owned or rented
- the authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities (whether in electronic or other form) without the prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of investigative or related follow up procedures

All investigations of alleged wrongdoing will be conducted in accordance with applicable laws and City procedures.

Reported Incident Follow Up Procedure:

Care must be taken in the follow up of suspected misconduct and dishonesty to avoid acting on incorrect or unsupported accusations, to avoid alerting suspected individuals that follow up and investigation is underway, and to avoid making statements which could adversely affect the City, an employee or other parties.

Accordingly, the general procedures for follow-up and investigation of reported incidents are as follows:

1. Employees and others must immediately report all factual details as indicated above under Policy and Responsibilities
2. The Police Department or any other Law Enforcement Agency has the responsibility for follow-up and, if appropriate, investigation of all reported incidents
3. All records related to the reported incident may not be removed from their current location until the Police Department advises otherwise. Any tampering or falsifying of records under investigation may result in disciplinary action, including termination
4. Do not communicate with the suspected individuals or organizations about the matter under investigation
5. In appropriate circumstances and at the appropriate time, the Police Department will notify the employee supervisor or employee

6. Council may also obtain the advice of the City's Legal Department or Police Department at any time throughout the course of an investigation or other follow up activity on any matter related to the report, investigation steps, proposed disciplinary action or any anticipated litigation
7. Neither the existence nor the results of investigations or other follow up activity will be disclosed or discussed with anyone other than those persons who have a legitimate need to know in order to perform their duties and responsibilities effectively
8. All inquiries from an attorney or any other contacts from outside of the City, including those from law enforcement agencies or from the employee under investigation, should be referred to the Police Department

Investigative or other follow-up activity will be carried out without regard to the suspected individual's position, level or relationship with the City.

Much of the conduct addressed in this policy is criminal and violators will be prosecuted to the fullest extent of the law.

Disciplinary Action:

Failure to comply with any part of this policy is grounds for disciplinary action, including immediate termination.

An employee who:

- has engaged in any form of fraud, waste, or abuse
- suspects or discovers fraudulent activity and fails to report his or her suspicions as required by this policy; or
- intentionally reports false or misleading information is subject to disciplinary action, including termination.

Acknowledgment:

My signature signifies that I have read and received a copy of this policy, and that I understand my responsibilities related to the prevention, detection and reporting of suspected misconduct and dishonesty.

I further acknowledge that I am not aware of any activity that would require disclosure under this or other existing city policy or procedure statements.

I understand that much of the conduct addressed in this policy is criminal and violators will be prosecuted to the fullest extent of the law.

Print Name: _____

Signature: _____

Date signed: _____

Investment Policy

Revised & approved 8/20/2024

Scope:

This investment policy governs the management and investment of public funds for the City of Hilshire Village, in compliance with Texas Government Code Chapters 2256 and 2257.

Objective:

The investment program's primary objectives, in order of priority, are:

1. Safety

- Principal Preservation: Ensure the preservation of capital by mitigating credit and interest rate risks.
 - Credit Risk: Minimize by investing in U.S. Government and Agency securities, and diversifying the portfolio.
 - Interest Rate Risk: Avoid significant fluctuations by aligning securities' maturities with cash flow needs and focusing on short-term investments (up to two years).

2. Liquidity

- Maintain sufficient liquidity to meet all anticipated operating requirements. Structure the portfolio to ensure that securities mature as needed and include investments with active markets.

3. Yield

- Achieve a market rate of return, balancing risk and liquidity. The focus is on safety and liquidity, with returns being a secondary concern.
- Sale of Securities: Securities may only be sold prior to maturity under two conditions:
 1. To improve yield or portfolio duration.
 2. To meet liquidity needs.

Investment Officers and Standards of Care:

1. Prudence

- Investment decisions must adhere to the "prudent person" standard, managing the portfolio with care and diligence. Officers are not held personally responsible

for market price changes if deviations are reported timely and adherence to policy is maintained.

2. Ethics and Conflicts of Interest

- Investment officials must avoid personal conflicts of interest and disclose any material financial interests related to the investment process. Personal transactions with City business contacts are prohibited.

3. Delegation of Authority

- Authority is granted to the City Treasurer and designated investment officers, who must follow established procedures for safekeeping, investment accounting, and other related activities. They are responsible for all transactions and must report to the City Council and Mayor as needed.

4. Training

- Investment officers must complete a minimum of 10 hours of training on investment responsibilities within 12 months of assuming office and 10 hours every two years thereafter.

5. Certifications from Sellers

- Investment officers must present the investment policy to all potential investment sellers and obtain certifications confirming their adherence to the policy.

Safekeeping and Custody:

1. Authorized Financial Dealers and Institutions

- Institutions must be approved by the City Council, with a minimum capital requirement of ten million (\$10,000,000), and be registered with the SEC and insured by SIPC.
- Qualified bidders must provide audited financial statements, NASD certification, state registration, a completed questionnaire, and acknowledgment of the City's investment policy. Annual reviews will be conducted.

2. Internal Controls

- The City Treasurer will establish controls to safeguard assets, ensuring protection against loss, theft, or misuse. Controls will include:
 - Control of Collusion: Prevent fraudulent collusion among employees.
 - Custodial Safekeeping: Use independent third parties for safekeeping.
 - Avoidance of Physical Delivery: Prefer book entry securities to minimize fraud and loss risks.

- Transaction Confirmations: Obtain written confirmations for telephone transactions.
 - Wire Transfer Agreements: Develop agreements outlining controls and responsibilities.
3. Delivery vs. Payment
- All transactions will be executed by Delivery vs. Payment (DVP) to ensure securities are deposited before funds are released.

Suitable and Authorized Investments

1. Investment Types

- Permitted investments include:
 - U.S. Government and Agency securities.
 - Repurchase agreements.
 - FDIC-insured Certificates of Deposit.
 - FSLIC-insured savings and loan deposits.
 - SEC-regulated money market mutual funds.
 - Statewide investment pools.
- Derivatives are prohibited.

2. Collateralization

- Full collateralization is required for certificates and repurchase agreements.

3. Bid Solicitation for Certificates of Deposit

- Bids can be solicited orally, in writing, or electronically.

Investment Parameters:

1. Diversification

- Diversify investments by type and institution.

2. Maximum Maturities

- Limit maturities to two years, unless otherwise authorized.

Reporting

1. Methods

- The City Treasurer will prepare a quarterly investment report including:

- A summary of portfolio status and transactions.
 - A listing of securities and their market values.
 - Unrealized gains/losses and yield comparisons.
 - Maturity schedules and portfolio composition percentages.
 - Earnings performance history relative to other investment alternatives.
2. Performance Standards
 - The portfolio should achieve a market average return, and performance will be compared to appropriate benchmarks.
 3. Marking to Market
 - A quarterly statement of the portfolio's market value will be issued.

Policy Review

This policy shall be reviewed annually as part of the annual budget preparation. Any amendments must be approved by the City Council of Hilshire Village.