

## **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, equal to at least 75% of the annual operating budget or nine months of operating expenses, whichever is greater. 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 shall be submitted to the City Council, and all financial transactions related to grant funding shall 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 shall also comply with all continuing disclosure requirements.

## **5. Economic Development**

The city may offer subsidies, tax incentives, or other financial incentives to encourage private development in line with community economic development goals as approved by the City Council. 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.

## **6. 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 shall audit the CFR annually. The audited financial statements shall be presented to the City Council for review and approval, after which the CFR shall be made publicly available through the city's website and at City Hall.

## **7. 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 shall 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 shall be conducted to evaluate the effectiveness of controls, ensure compliance with applicable laws and policies, and identify areas for improvement. Continuous monitoring shall include automated and manual reviews of financial transactions to detect anomalies or irregularities promptly.

Further, all city staff involved in financial activities shall undergo annual training on best practices for financial management, fraud prevention, and government standards compliance.

## **8. 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 shall 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 Harris County and support the growth of these businesses across various industries. These goals shall 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         | 20–30% MWBE participation (target range)   | Reflects availability of MWBE subs in Houston metro, but acknowledges limited local projects and bidder pool for a small city. | Encourage prime contractors to include MWBE subs; request good-faith effort documentation rather than a fixed quota.      |
| Professional Services          | 10–15% MWBE participation  | MWBE representation is limited in municipal legal, auditing, and engineering fields; a flexible goal is more realistic.        | Promote opportunities for MWBEs where possible; allow joint ventures or subcontracting on professional service contracts. |
| 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 vendor index that highlights MWBEs and prioritize outreach for purchases below                                  |

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|--|---|---|--|
|  |   |   | competitive thresholds.  |
| Technology and Innovation                    | 10-15% 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.             | Encourage MWBE bidding for tech services; offer flexibility when limited qualified vendors are available.          |
| Renewable Energy and Sustainability Projects | "As Applicable" 10% MWBE participation for renewable energy initiatives, such as solar panel installation and energy efficiency programs. | Small cities may rarely have renewable projects; participation goals should be tied to actual project opportunities.  | When projects arise, include MWBE subcontractor outreach and capacity-building support.                            |
| 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 , but allow exceptions when the pool is too limited. |

## 9. 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.

## **10. 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.

## **11. 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.

## **12. Structurally Balanced Budget**

The city shall strive to achieve a structurally balanced budget, where recurring revenues are sufficient to cover recurring expenditures. The Mayor and City Treasurer shall monitor budget performance throughout the year and recommend amendments as necessary to maintain structural balance.

## **13. Capital Policies**

The city shall maintain a comprehensive framework for the management of capital assets that covers the entire lifecycle of assets, from planning and acquisition to ongoing maintenance and eventual replacement. A rolling five-year Capital Improvement Plan (CIP) shall be prepared annually by the City Treasurer in collaboration with the City Engineer, identifying major projects, estimated costs, funding sources, and anticipated timelines. The CIP shall be reviewed and approved by the City Council as part of the budget process, with projects prioritized according to public safety, regulatory compliance, cost-effectiveness, and alignment with long-term community goals.

Capital expenditures shall be included in the annual operating budget with clearly identified funding sources. They shall not be used to cover ongoing operating costs. Each approved capital project shall have a designated project manager responsible for ensuring that the scope, budget, and timeline are met, and progress reports shall be presented monthly to the City Council. The city shall maintain a complete inventory of its

capital assets, including condition, useful life, and replacement schedules. To extend the life of public assets and reduce long-term costs, the budget shall include regular appropriations for maintenance, and replacement reserves shall be established for major equipment and infrastructure.

#### **14. Revenue Policies**

The city shall design and manage a revenue system that ensures adequate, stable, and diversified funding to meet its obligations while balancing equity and affordability for residents. Revenues must be sufficient to cover the cost of delivering services, maintaining infrastructure, and meeting debt or other financial requirements. User fees and charges shall generally be set at a level intended to recover the cost of providing specific services, thereby reducing reliance on general taxation.

The city shall strive for fairness in its revenue structure so that taxpayers and fee-payers receive equitable value for the resources they provide. Exemptions and abatements shall be carefully managed to avoid shifting undue burdens onto other taxpayers. The city shall also seek to maintain a diversified portfolio of revenues, such as property taxes, sales taxes, fees, and grants, in order to avoid overreliance on any single source. New or alternative revenue streams shall be periodically evaluated to support long-term sustainability.

Revenue forecasts shall be prepared on a multi-year basis to aid in financial planning. Revenues shall be monitored monthly against projections, and significant variances shall be reported to the City Council along with any recommended corrective actions.

#### **15. Expenditure Policies**

The city shall ensure that public funds are spent efficiently, effectively, and in alignment with adopted priorities. Expenditures shall not exceed the appropriations authorized by the City Council, and all spending must be consistent with the adopted budget unless formally amended.

Personnel expenditures, including salaries and benefits, shall be managed to ensure long-term sustainability. The city may contract or outsource services when doing so is cost-effective and when quality of service can be maintained or improved. Long-term liabilities such as pensions and post-employment benefits shall be funded at least at the level required by law, with strategies developed to reduce unfunded liabilities over time.

Expenditures shall be regularly reviewed for efficiency and effectiveness, and cost-saving measures shall be implemented where feasible. Programs and services that do not align with community priorities or fail to demonstrate effectiveness may be reduced or eliminated.

#### **16. Operating Budget Policies**

The city shall adopt an annual operating budget that reflects community priorities, maintains structural balance, and supports long-term financial stability. The budget

process shall be open and transparent, with opportunities for input from staff, elected officials, and the public. The City Treasurer shall prepare a proposed budget based on revenue forecasts for City Council consideration.

The operating budget shall present detailed estimates of revenues and expenditures by fund. The budget must be structurally balanced, meaning recurring revenues must cover recurring expenditures. Reserves or one-time revenues shall not be used to fund ongoing operations, but may be appropriated for emergencies, capital projects, or other one-time needs with City Council approval.

The City Treasurer shall monitor revenues and expenditures on a monthly basis and provide reports to the City Council. Any amendments to the budget or transfers between funds or major categories shall require City Council approval. The budget shall also be prepared in the context of a multi-year financial plan so that decisions made in the current year do not undermine sustainability in future years.