AGENDA

BE IT KNOWN that the **CITY COUNCIL** of the City of Richwood will meet in **City Council Regular Meeting** on **Tuesday, November 17, 2020** at **6:00 PM** at 1800 N. Brazosport Blvd., Richwood, TX 77531 at the Richwood City Hall in the Council Chambers with the following agenda:

I.	CALL TO ORDER	
II.	ROLL CALL OF COUNCIL MEMBERS	
III.	INVOCATION	
IV.	PLEDGES OF ALLEGIANCE	3
V.	CANVASS THE RESULTS OF THE NOVEMBER 3, 2020 ELECTION	
VI.	RECOGNITIONS	
	A. Employee Service Awards	
	1. Jeremy Richards, Police Department - 5 Years of Service	
	2. Chuck Wegwerth, Public Works Department - 5 Years of Service	
	3. Sergeant Brett Schilhab, Police Department - 15 Years of Service	
VII.	PUBLIC COMMENTS	
VIII.	PRESENTATIONS	
	A. Fiscal Year 2020-2021 Budget Book	4
IX.	CONSENT AGENDA	
	A. Approval of Minutes	
	1. Regular meeting held October, 12 2020	120
	B. September Budget Report	125
	C. Investment Report (Q4, FY2019-2020)	132
X.	DISCUSSION AND ACTION ITEMS	
	A. Discuss and consider accepting wastewater from Fountain Grass Park	134
	B. Discuss and consider adopting proposed amendment to the City of Richwood's Financial Policy to include procedures for Grant Payments.	140
	C. Discuss and consider Ordinance #466, amending section 17-7 of the Code of Ordinances regarding location restrictions of signs.	142
	D. Discussion and possible action regarding the relocation of all monuments and memorials from Freedom Park to Bobby Ford Park.	145
XI.	CAPITAL IMPROVEMENT PROJECTS UPDATE	
XII.	CITY MANAGER’S REPORT	
XIII.	COUNCIL MEMBER COMMENTS & REPORTS	
XIV.	MAYOR’S REPORT	
XV.	FUTURE AGENDA ITEMS	
XVI.	ADJOURNMENT	

The City Council may go into Executive Session on any item listed on the Agenda in accordance with Section 551.071 of the Government Code (attorney-client privilege).

I, Kirsten Garcia, do hereby certify that I did, on _______________ at _________ p.m., post this notice of meeting on the bulletin board at 1800 N. Brazosport Blvd., Richwood, TX, in compliance with the Texas Open Meetings Law.

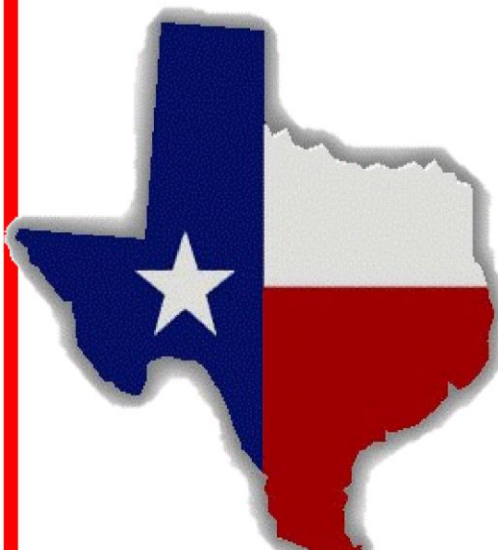
____
Kirsten Garcia, City Secretary
City of Richwood

This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's Office at (979) 265-2082 or FAX (979) 265-7345 for further information.

The United States Pledge of Allegiance:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one Nation under God, indivisible, with liberty and justice for all.

The Texas Pledge of Allegiance:



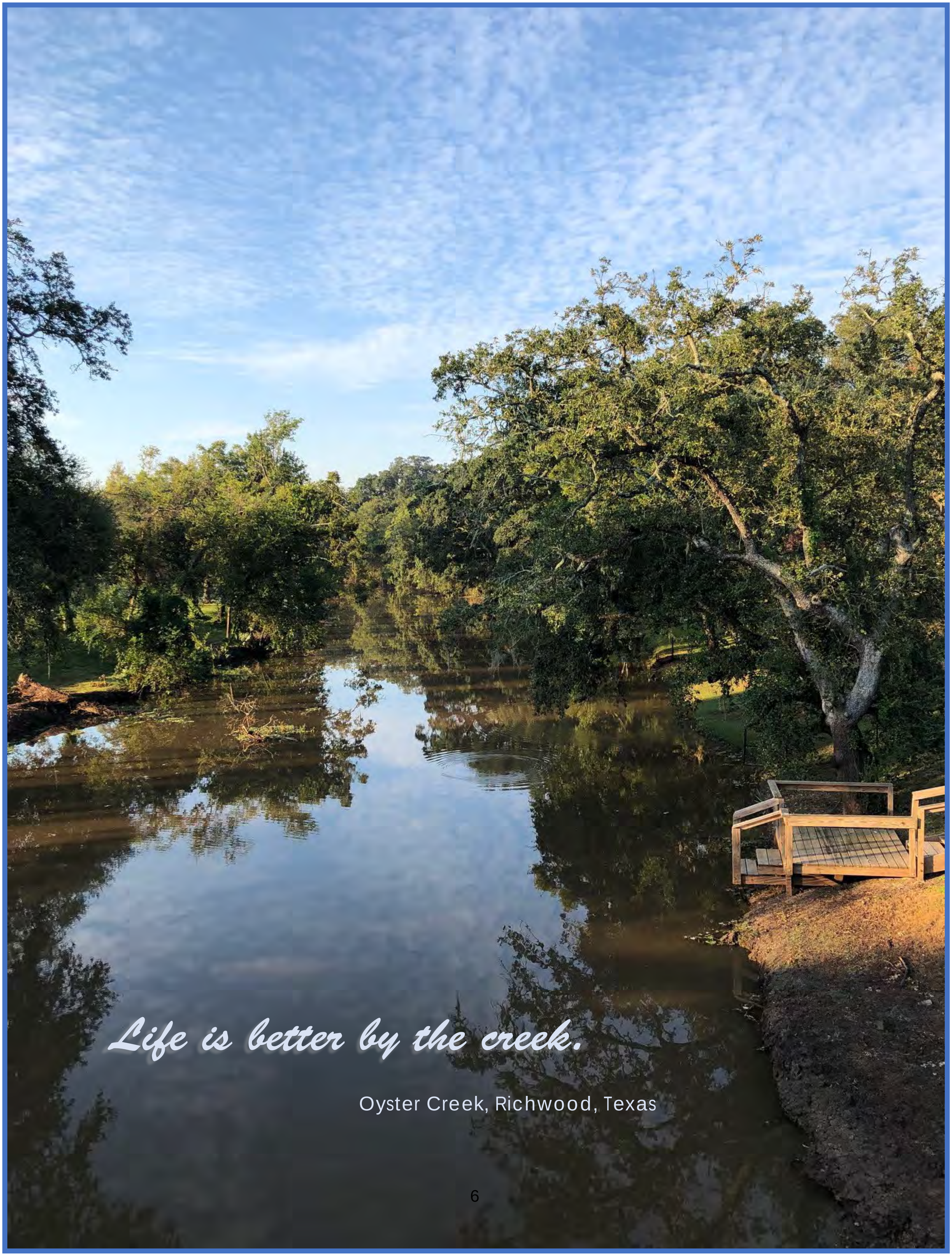
Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.

CITY OF RICHWOOD TEXAS

ANNUAL BUDGET
FISCAL YEAR 2020-2021

City of Richwood

1800 Brazosport Blvd N
Richwood, TX 77531
(970) 265-2082   www.richwoodtx.gov



Life is better by the creek.

Oyster Creek, Richwood, Texas

This budget will raise more revenue from property taxes than last year's budget by $142,576, which is a 7.15% increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is $71,692

Record Vote on the Adoption of the Budget:

FOR: Matthew Yarborough
Melissa Strawn
Mike Johnson
Mark Brown II

AGAINST: N/A

PRESENT and not voting: N/A

ABSENT: Katie Johnson
Mayor Steve Boykin

Property Tax Rate Comparisons:

	2020-2021	2019-2020
Property Tax Rate:	$0.627470/100	$0.670204/100
No New Revenue Tax Rate:	$0.604886/100	$0.630892/100
No New Revenue Maintenance & Operations Tax Rate:	$0.494638/100	$0.573868/100
Voter Approval Tax Rate:	$0.627470/100	$0.737585/100
Debt Rate:	$0.110248/100	$0.117808/100

Total debt obligation for CITY OF RICHWOOD secured by property taxes: $ 406,183.

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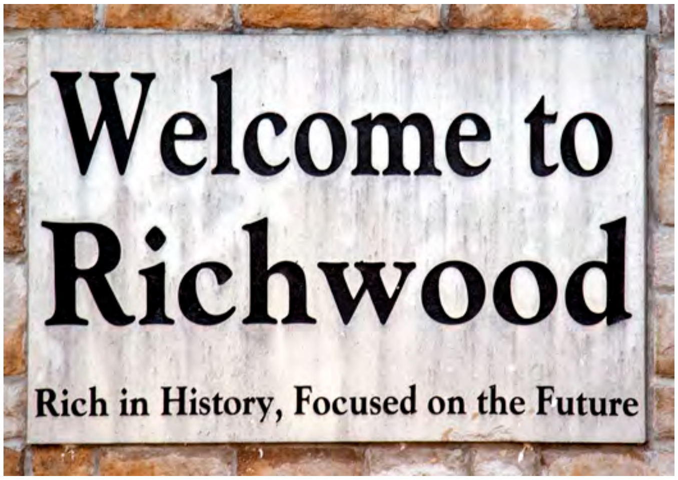


Incorporated in 1957 along the banks of the meandering Oyster Creek and named after the landowner, Richwood has grown from a village with no money, no tax structure, and no place to meet initially to what it is today. City Hall, first housed in a one room building on Sycamore Street, is now found in a prominent location on Brazosport Blvd (288B). Sharing City Hall is the Police Department and Municipal Court. It is estimated that the population has grown to over 5,000 people with a tax base in excess of 343,800,000.

From its humble beginnings in 1957 to its present evolvement, Richwood has been a people-oriented community. Located adjacent to the cities of Clute and Lake Jackson, just south of Angleton, the county seat,
Richwood enjoys the amenities of the other cities while flourishing with a small-town atmosphere. An easy drive to the Houston metropolitan area and Hobby International Airport, 13 miles from the beautiful gulf coast, and less than an hour drive to historic Galveston, Richwood residents have it all at their fingertips. While not located within the city limits, Brazosport College is just around the corner, offering a variety of courses and degrees, and provides a well-trained workforce for area businesses. In the highly competitive marketplace of economic development, Richwood has shined in its greatest commodity—its people. Caring, sharing people who continually give of themselves in various volunteer capacities to maintain and improve the quality of life they have established here. Richwood continues to grow to meet the challenges of the economy and to be a viable leader in all segments of its existence. It is a great place to live, to work, and to be involved.


Fishing dock at Bobby Ford Park

Mike Johnson
Council Member, Place 1

Matthew Yarborough
Council Member, Place 3

Mark Brown II
Councilmember, Place 4

Melissa Strawn
Council Member, Place 2

Steve Boykin
Mayor

Katie Johnson
Council Member, Place 5

The City of Richwood is a Home Rule City operating under the Manager/Council form of government. Meeting every second Monday of the month at 6:00 pm at City Hall, your City Council consists of a mayor and five council members, who serve two-year staggered terms, and are elected on an "at large" basis. Meetings are open to the public and all Richwood residents are encouraged to attend and become involved in their city. City Council is the legislative body of city government and appoints the City Manager who is responsible for appointing department heads, (City Secretary, Finance Director, Police Chief, and the Public Works Director) who are responsible for the daily general administration of the City. The City Council is also responsible for appointing the municipal judges as well as the members of the boards and commissions, who volunteer their time and energy to the City.

Eric Foerster, MPA, CPM

City Manager

Kirsten Garcia, CCCII

City Secretary

Patricia Ditto

Finance Director

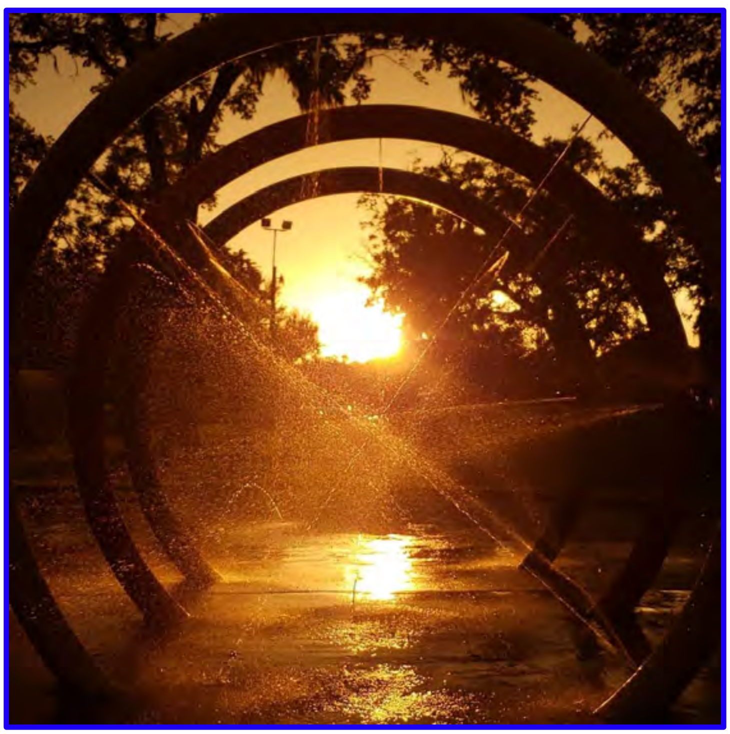
Stephen Scot Mayer

Chief of Police

Clif Custer

Director of Public Works

Incorporation	
Date of Incorporation	1957
Form of Government	Council/Manager
City Officials	Mayor and (5) Council Members
Number of Full Time Employees	23
Area in Square Miles	4.75
Estimated Population	5,100
Median Resident Age	34
Estimated Median Household Income	$76,088
Average Household Size	3.19
Average Value of Single-Family Residence	$166,763



Sunset at the Splashpad courtesy of Melba Lopez

The budget is one of the most important documents produced by the City. It serves as a financial plan, a policy document, and a communications device. As the City of Richwood has grown, so has the budget. In order to show the interaction between the budget process and the process of establishing the tax rate, both processes will be shown together in the following paragraphs. Please keep in mind that this is a simplified version of a massive process that is a combined effort of members of each of the City's departments and requires an extensive period of time to complete. Both revenues and expenditures are constantly being adjusted throughout the final six months of the process and are subject to change until the night that the City Council officially adopts the budget. Likewise, the budget calendar serves as an approximate timeline and the events may not always occur at the exact times indicated.

MAY - The process began in May with the creation of a budget calendar. The calendar is established to provide guidelines and make sure that the City remains on schedule and deadlines are not missed. The budget process, like the tax rate process, is guided by state and local laws.

JUNE - The Finance Director and the City Manager continue reviewing department requests and determining needs based on the City's goals and proposed revenues. Finance begins preparation of the proposed budget document.

JULY - Preparation of the proposed budget continues. The Brazoria County Appraisal District releases certified property values on the 25th, and calculation of the tax rate begins. With the calculation of the tax rate and all other revenues, Finance, and the City Manager begin meeting with department Directors to reduce proposed expenses in order to provide the highest level of service and ensure that the needs of the community are met while keeping the cost to the citizens as low as possible.

AUGUST - The month of August is one of the busiest of the budget season. The City Council votes to adopt the proposed tax rate. In the event that the tax rate for the following year will be increased over the previous year's rate, it is necessary to hold public hearings. These meetings are scheduled along with the public hearing on the budget, and announcements are posted in the local newspaper according to state requirements.

SEPTEMBER - During the month of September, public hearings are held, and adjustments are made to both the tax rate and the budget, if required. Toward the end of the month, and after all requirements have been fulfilled, both the tax rate and the budget for the following year are adopted by ordinance. The budget goes into effect as of October 1st and the Brazoria County Tax Assessor-Collector, Ro'Vin Garrett is notified of the adopted tax rate.

Go to http://www.window.state.tx.us/taxinfo/proptax/tnt08/ to learn more.

BUDGET AMENDMENTS - With few exceptions, the City's budget is amended as a part of the annual budget process. Along with estimating expenses for the upcoming fiscal year, Directors are asked to project final expenditures for the current fiscal year. These projections are reviewed by the Finance Director and the City Manager and then set as the final budget for the current fiscal year. The amended budget may be adopted along with the annual operating budget for the upcoming fiscal year.

On some occasions, larger issues will occur that require immediate budget amendment. These items are discussed among the Directors involved, the Finance Director, and the City Manager. An appropriate funding source is identified, and the amendment is taken before the City Council for consideration immediately.

BUDGET CONTROL - The level of control (the level at which expenditures may not exceed budget) is at the fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

FISCAL & BUDGETARY POLICIES - The intent of these Financial Policies is to enable the City of Richwood to achieve a long term, stable and positive financial condition while conducting its operations consistent with the Council-Manager form of government as established by the City Charter. The more specific purpose of the Financial Policies and Administrative Procedures is to provide guidelines for the financial management staff in planning and directing the City's day-to-day financial affairs and in developing recommendations to the City Manager and to the City Council.

The scope of these policies spans:

- Operating Budget Management
- Accounting and Financial Reporting
- Revenue Management
- Expenditure Control
- Financial Position and Fund Balances
- Cash Management and Internal Controls
- Debt Management

- Capital Assets Policy
- Internal Control

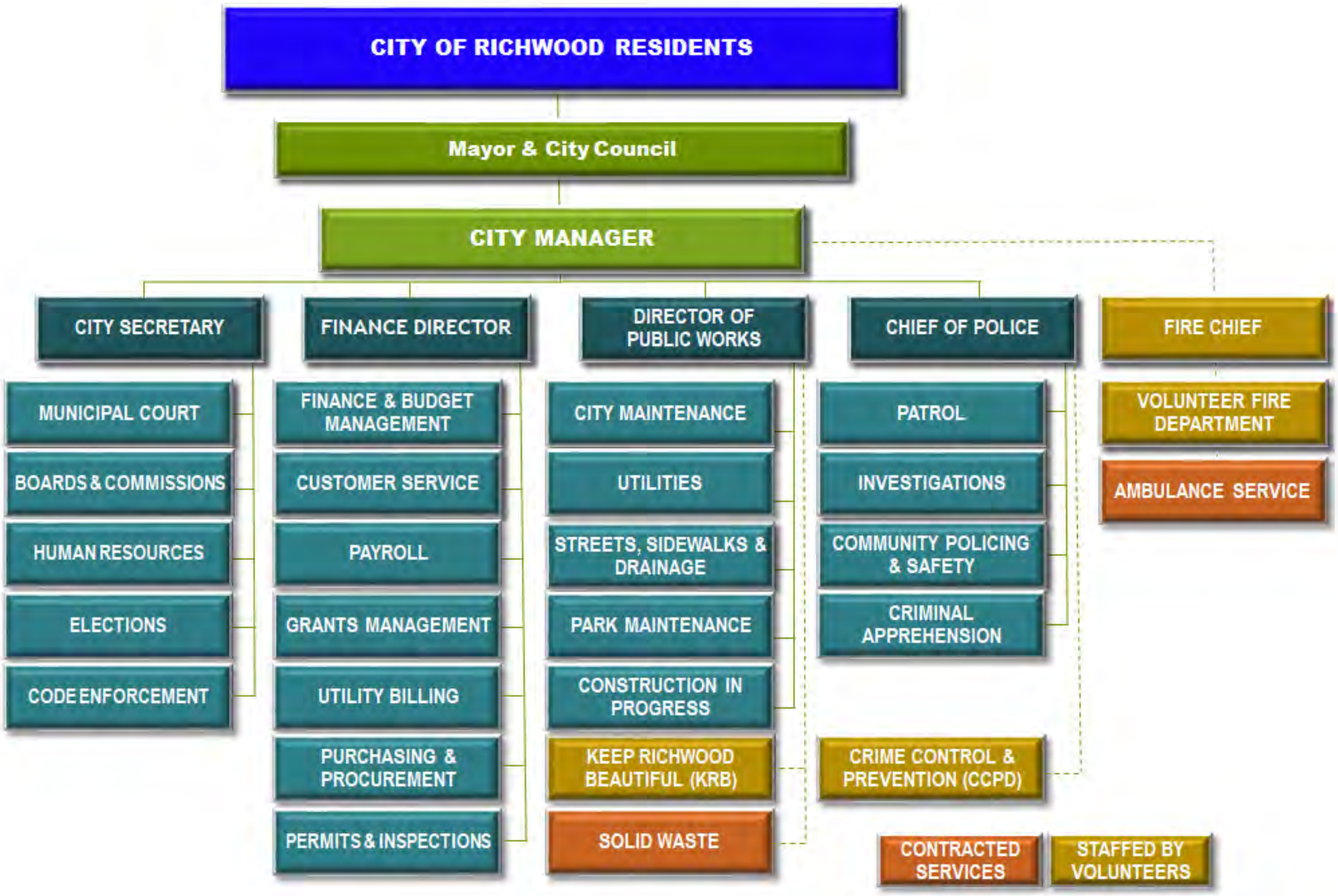
These are designed to help the City by presenting fairly and with full disclosure the financial position and results of financial operations of the City in conformity to GAAP, and determining and demonstrating compliance with finance-related legal and contractual issues in accordance with provisions of the Texas Local Government Code, the City Charter and other pertinent legal documents and mandates.

OVERSIGHT RESPONSIBILITY - An oversight committee made up of the City Manager, Finance Director, City Secretary, and Director of Public Works perform the function of:

- Fiscal Policy Review
- Auditor Selection Recommendation
- Investment Policy Review and Guidance
- Annual Review

Based upon the results and recommendations of the Committee review, the Council will annually approve the fiscal policies.

IMPLEMENTATION AND COMPLIANCE - The Director of Finance will be accountable for implementing these policies and will to the best of his/her knowledge make the City Manager and the City Council aware of any variances in practice from these policies or any other deviation from prudent financial practices in accordance to GAAP, the City Charter, the Texas Local Government Code and other state laws or ethics of the profession.



The City of Richwood currently has a paid staff of 23 full time employees, including the City Manager, City Secretary, Finance Director, Director of Public Works, and Chief of Police. In addition to the management positions, the city employs full time staff in the following:

- Utility Billing & Permitting Inspections Coordinator
- Administrative Assistant: Accounts Payable/Payroll
- Court Clerk/Code Enforcement
- Public Works Foreman
- 3 Public Works Operators
- 2 Maintenance technicians
- 2 Police Sergeants
- 1 Police Detective
- 6 Police Patrol Officers.

Two judges are employed in the Municipal Court on a part time basis.

Volunteers are the life blood of any small city and Richwood is no exception. We are very appreciative of the many volunteers that help keep Richwood a safe and beautiful place to live.

RICHWOOD VOLUNTEER FIRE DEPARTMENT - The city benefits from an all-volunteer fire department led by the Fire Chief Clint Kocurek and Assistant Fire Chief Mark Guthrie, with 12 members. This department is responsible for firefighting operations and fire prevention within the City and its extra-territorial jurisdiction and is also responsible for mutual aid assistance 24 hours a day, 365 days a year. Chartered in 1963, founded several years before, this organization has proudly served the citizens of Richwood and surrounding areas. Our department has memberships in the Brazoria County Firefighter's Association, the Brazoria County Fire Chief's Association, and State Firemen's & Fire Marshals' Association.

KEEP RICHWOOD BEAUTIFUL – Beautification efforts are accomplished through this volunteer committee led by the KRB director Kim Mayer. This group of dedicated volunteers work tirelessly to maintain and beautify our public spaces and hold special events for the community as both outreach and fun. More about KRB can be found in the Special Funds section on page 58.

KEEP RICHWOOD BEAUTIFUL (KRB) TEAM: Tara Riley, Vice Chairman and Treasurer; Brittany Figaro, Chairman; Audrey Johnson, Board Member; Kimberly Mayer, Executive Director; Janet Jackson-Ellis, Board Member; Sonia Foger, Board Member.

Both the fire department and KRB are partially funded by the City of Richwood, with additional funds coming through voluntary donations on utility bills.

CRIME CONTROL & PROTECTION DISTRICT - Our police department is aided financially by the Richwood Crime Control & Prevention District (CCPD). A voter approved percentage of .25% of sales tax is provided to CCPD to provide funding for expenditures that benefit our police department. The CCPD board meets regularly, making decisions on how best to serve our community with their funding.

September 21, 2020

To the Honorable Mayor, City Council and Residents of Richwood:

I present to you the approved Fiscal year 2020-2021 Budget for the City of Richwood.

Budget development is challenging when planning for growth in expenditures while desiring to minimize the tax rate, maintain equitable utility fee structures, and strengthening core services. Continued development generally dictates future revenue growth but also correlates to added service responsibilities and financial demands. Remaining conservative in revenue projections insures funding of core service levels throughout the year. With Council and citizen input, staff developed budget priorities which provided direction on budget creation. Some of our budget highlights include:

- ✓ Maintaining financial reserves equal to 60 days operating expenses, or $414,747;
- ✓ Continuation of our Capital Projects that will greatly improve our infrastructure, replace inadequate streets, create new sidewalks, and improve drainage;
- ✓ Plan for the future with contingency and replacement funding;
- ✓ Present a balanced budget and a reduced property tax rate.

REVENUES

FY 2020 has been an unusual year and the full affect into FY 2021 is not yet known. Therefore, budgeting for revenue has been a challenge and it has been done conservatively.

Revenues of the General Fund consist of different revenue sources are projected to generate $2,706,319 in FY 2021. This represents an 1.8% decrease in total budgeted revenues from FY 2020.

The largest source of revenues is from property taxes. Ad valorem appraised values increased this year by $43,964,553 due mostly from an increase in valuations. The budget projects the Voter Approval tax rate of $0.627470 which is above the No New Revenue tax rate of $0.604886 and will generate additional revenue of $146,848. The proposed rate is a decrease from the FY 2020 tax rate of $0.670204.

Total Sales tax receipts are budgeted at $628,000 equating to a 4.67% increase from FY 2020 estimated receipts of $600,000. Of the Sales tax collected, 20% is dedicated to Streets Maintenance and Repair. Remaining conservative with these projections allows for adjustments to operations deemed necessary through the year or in the short term.

Utility fund revenues are estimated to increase slightly from the FY 2020 budget. The costs of utility operations are expected to rise slightly as well. Planning for future sewer plant needs, a portion of revenues received from sewer bills have been allocated to a reserve fund.

EXPENDITURES

Just as projecting for revenues going into FY 2021 has been a challenge, so has the budget process for expenditures. The greatest challenge to budgeting is consistently providing improved levels of services and improvements without increasing expenditures disproportionately to revenues. This year, I asked staff to present to me a "bare bones" budget and they worked hard to minimize increases or even decrease expenditures.

Compensation and benefits are the most significant portion of the City's expenditure budget. Employees are the greatest asset of the organization. However, due to the uncertainty of the future, the proposed budget ***does not*** include merit or COLA increases for staff. The City will maintain current employee benefits with health insurance plans meeting budget allowances along with specific retiree benefits. In addition, we have budgeted to allow employee training in all departments so that we can achieve and/or maintain the excellence that all of Richwood deserves from their city staff.

Through careful and conservative budgeting, we are able to present a budget that shows a reduction in General Fund Expenditures of $276,100, not including a transfer of $200,000 to a contingency fund. In addition, transfers are included to set aside reserve funds for future capital purchases for the enterprise fund and the fire department.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for FY 2021 does not include any new projects. The city will continue with the Streets, Sidewalks and Drainage projects as well as the North Water Plant project, both begun in FY 2020.

The City is striving to continue to improve infrastructure to the taxpayers and utility customers of Richwood. Future projects are being considered. Fund balances remain reasonable despite expenditures and continue to be in accordance with the reserve policies adopted by Council.

These objectives and budget priorities were accomplished continuing fiscal conservatism and responsibility. With a higher than desired turnover in staff in recent months, many that have devoted time to this budget are new to Richwood. Our goal is to bring Richwood increased consistency and improved accuracy as we move forward.

Richwood is a great place to live, visit and conduct business because of its newfound spirit which meets its future needs while providing affordable services. Richwood is fortunate to have the leaders, volunteers, and employees to pursue these goals and to serve the citizens of Richwood.

Sincerely,

C. E.

Eric Foerster, MPA, CPM
City Manager

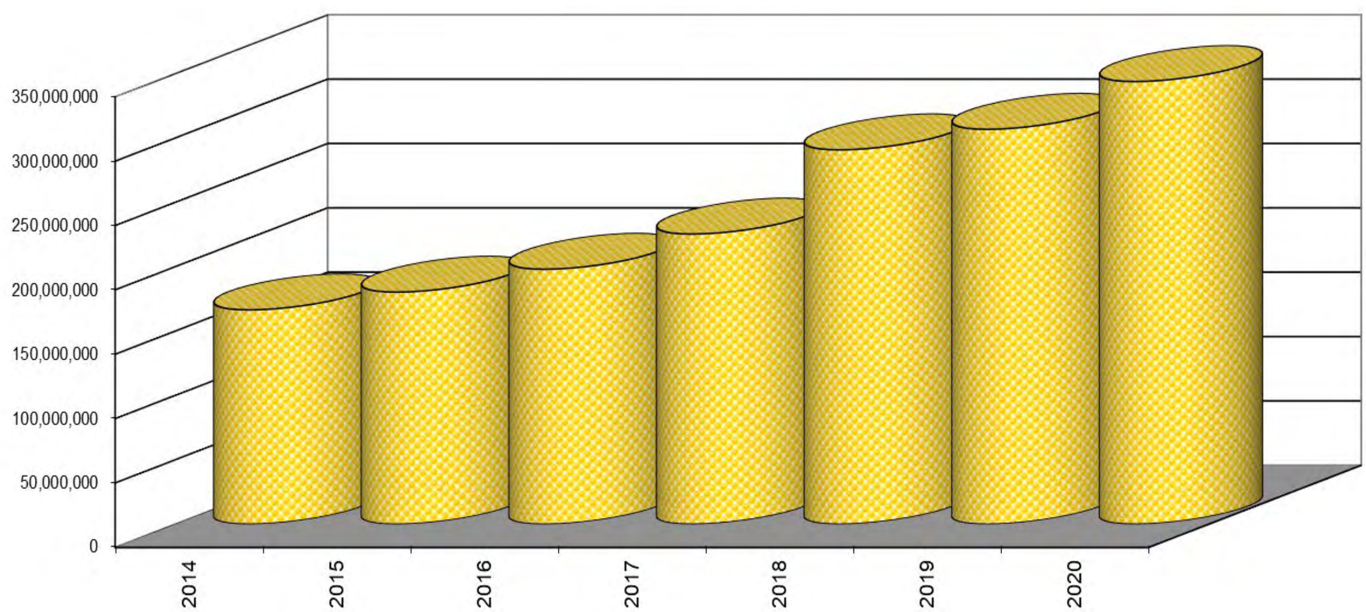
Property taxes provide one of the largest sources of revenue for the City, and determing the tax rate is a major part of the annual budget process.

ANALYSIS OF PROPERTY VALUATIONS AND TAX RATES

TAX YEAR	ASSESSED VALUATIONS	TAX RATE	M&O	Debt Service
2014	166,449,092	0.735680	0.646369	0.089311
2015	180,239,995	0.735680	0.653360	0.082320
2016	198,027,444	0.672580	0.601303	0.071277
2017	225,360,373	0.634444	0.575223	0.059221
2018	290,786,178	0.670204	0.609627	0.060577
2019	306,742,256	0.670204	0.552396	0.117808
2020	**343,833,130**	**0.627470**	**0.517222**	**0.110248**

From 2010 to present, Richwood has experienced growth. Throughout this time period, not only did the values on existing properties increase, but the number of new properties also increased. The calculation for 2020 Taxable value includes new or improved properties in the amount of $11,425,600, or 14.5%. Current improvements in infrastructure should encourage future growth as well, but the effect of the downturned economy in 2020 is still to be seen.

ASSESSED VALUATIONS



The Brazoria County Appraisal District (BCAD) establishes and certifies the value of each property within the City of Richwood. The total certified estimated taxable value for Fiscal Year 2021 (Tax Year 2020) is $343,833,130. This is a increase of $43,964,553 from the 2019 certified taxable value.

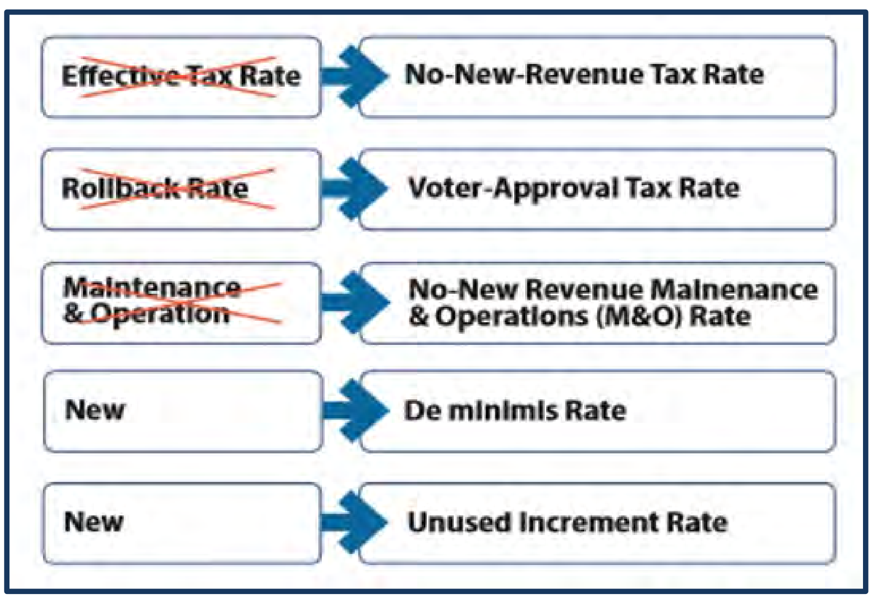
Once the property values have been certified, this begins the truth in taxation process by using the certified values to establish an effective tax rate and a rollback tax rate. These rates are published and the City uses them as a guide to help determine an acceptable tax rate for the upcoming year.

The No New Revenue tax rate (formerly known as Effective tax rate) enables the public to evaluate the relationship between taxes for the preceding year and for the current year, based on a tax rate that would produce the same amount of taxes if applied to the same properties taxed in both years. If a city proposes a tax rate that exceeds this No New Revenue tax rate for the current year, then public hearings must be held to make the public aware of the tax increase. The No New Revenue tax rate for Fiscal Year 2021 (Tax Year 2020) is .604886.

The Voter Approval tax rate (formerly known as the Rollback tax rate) separates the maintenance and operations (M&O) and the debt services (DS) portions of the tax rate. The rollback tax rate is set in order to allow citizens to limit the governing body's ability to significantly increase the M&O rate. The debt service rate is a fixed rate set in order to allow the city to collect exactly the amount required to make a single years debt payments. The Fiscal Year 2021 (Tax Year 2020) Voter Approval tax rate is $0.627470. The two portions of the tax rate are discussed further over the next few paragraphs. The City's debt is discussed further in the Debt Service portion of the budget. document.

SB2 – TEXAS PROPERTY TAX REFORM & RELIEF ACT OF 2019

- Changed the process of adopting the property tax rate
- Renamed the tax rates
- Provided relief for counties and cities during a disaster



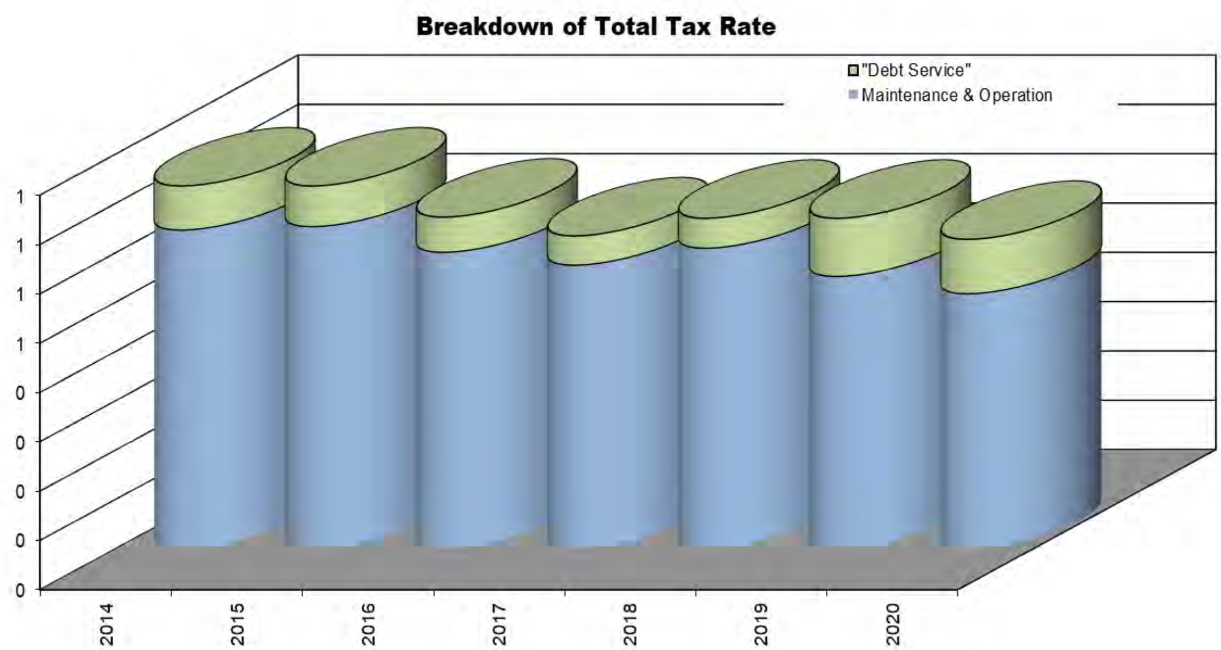
MAINTENANCE & OPERATIONS

The M&O portion of the tax rate provides funding for all general fund operations. This portion of the tax rate is flexible and can be adjusted to a higher or lower rate based on the needs of City. The M&O rate generates funds for current fiscal year expenditures, future capital expenses and allows the City to maintain operating reserves.

Fiscal Year 2021's M&O rate is set at .517222. This is a decrease from the Fiscal Year 2020 rate. This rate will result in $1,778,381 in general fund revenue from property taxes.

DEBT SERVICE

The Debt Service (DS) portion of the tax rate covers the City's bond payment and other outstanding debt. This portion of the tax rate is **not** flexible and is set by a calculation based on the required fiscal year payments of the City's debt. The DS tax rate provides the City with exact funding to make the required debt payments for each fiscal year. Located in the Debt Service Fund section of the budget book is a Debt Service Schedule that provides specific information about what payments are required on which bond loans, as well as summaries to provide citizens a look at specific information on how much is owed by the City.



Fiscal Year 2021's proposed debt Service tax rate is 0.110248. This is an increase of $0.00756 (6.42%) over Fiscal Year 2020 to be used for debt service payments.

For Fiscal Year 2021 the City Council made the decision to decrease the total tax rate by 6.38%, for a total tax rate of .627470 per $100 valuation. This tax rate will result in a total $1,778,381 possible property tax revenue for maintenance and operations (M&O) of the City and the required amount of $384,749 for debt obligations.

The following chart provides an overview the tax rate and associated revenue:

ESTIMATED AD VALOREM TAX REVENUE
(total tax rate including M&O and Debt)

	FY19 Tax year 2018	FY20 Tax Year 2019	FY21 Tax Year 2020	FY 20 TO FY 21 CHANGE $ Change	% Change
Estimated Tax Roll	290,786,178	300,420,973	343,833,130	43,412,157	14.45%
Proposed Tax rate per $100 Valuation	0.670204	0.670204	0.627470	(0.042734)	-6.38%
Revenue from Taxes	1,948,861	2,013,433	2,157,450	144,016	7.15%
Estimated Collection Rate	99%	99%	99%		
Estimated Current Year Funds Available	**1,929,372**	**1,993,299**	**2,135,875**	**142,576**	**7.15%**

New construction, such as this new house in Oakwood Shores, and improvement to existing structures accounted for about 14% of the 2020 assessed valuations for the city of Richwood.

The City of Richwood relies heavily on property tax revenue, which makes up about two-thirds of all revenue. City staff together with City Council work hard to keep the tax rate as low as possible. For FY21, we are pleased to present a reduced rate from FY20 and remain below several of our neighboring communities.

City	2020 Tax Rate per $100 Valuation
Lake Jackson	0.328200
Clute	0.595392
Freeport	0.615859
Richwood	**0.627470**
Angleton	0.665140
Brazoria	0.680476
Danbury	0.697258
Sweeny	0.701553
Pearland	0.720000
West Columbia	0.731770
Alvin	0.768000

FUNDS

The City of Richwood, like most if not all of governmental bodies and non-profit organizations, use Fund Accounting systems for financial record-keeping and analysis. Fund Accounting emphasizes accountability rather than profitability. In this method, a fund consists of a self-balancing set of accounts. The funds can be categorized in 5 ways:

- Non-Spendable

  This includes inventory, prepaid expenses, receivables that will not be collected within a year, non-financial assets held for resale, or moneys legally or contractually required to be maintained intact, such as an endowment or escrow.

- Restricted

  Funds are restricted subject to externally enforceable legal restrictions. An example is the Court Technology Fund which is regulated by state law and by our ordinance

- Committed (Designated)

  Funds are committed or designated by limits imposed by Council upon itself. An interfund loan or receivable are designated and can only be reallocated by an action item approved by Council.

- Assigned (Designated)

  The assigned fund balance will cover the portion of resources that reflect a government's intended use. This is done through City Manager approval. Encumbrances, in the form of Purchase Orders, are an example of assigned fund. A government cannot assign fund balance that it does not have.

- Unassigned (Undesignated)

  The excess of what is properly categorized in one of the previous categories is considered unassigned and is the starting point for budgeting purposes.

Funds can also be classified as **Major Funds** or **Special Purpose Funds**. A major fund is designated as such when revenues or expenditures within the fund constitute more than 10% of the revenues or expenditures of the appropriated budget. The city of Richwood has **5 major funds**:

- General Fund
- Debt Service Fund
- Capital Projects Fund
- Water & Sewer Fund
- Transportation Fund

Special purpose funds, set up for a specific purpose, include:

- Crime Control & Prevention Fund (CCPD)
- Court Security Fund
- Court Technology Fund
- Keep Richwood Beautiful Fund (KRB)

Richwood, as a method of planning for the future, also has **Reserve Funds** set up to accumulate monies over time to alleviate the need for obtaining debt when major or unexpected expenses arise:

- Contingency Fund
- Replacement Fund
- Inflow & Infiltration Fund

Scenes from a sunny fall day at Bobby Ford Park

	General Fund	Debt Service Fund	Court Tech and Security	*Equipment Replace*	KRB Fund	Trans Fund	2019A Capital Projects	Crime Control and Prev	Ins Fund	Restricted Funds	Total	Water & Sewer
	Combined Funds Cash Flows - Governmental Funds											**Enterprise Fund**
Unassigned Fund Balances - 10/1/2019	1,427,542	109,424	6,372	7,770	30,410	170,591	2,963,373	172,484	13,633	468,903	5,370,502	5,236,107 **
$468,903 restricted - non spendable												
Revenues												
Total Revenues	2,952,911	353,744	37,316	71,851	17,420	695,095		110,597			4,238,934	2,299,227
Expenditures												
Total Expenditures	2,991,064	374,059	10,200		24,970	441,422	546,860	135,534			4,524,109	2,263,736
Estimated Fund Balances - 9/30/2020	1,389,389	89,109	33,488	79,621	22,860	424,264	2,416,513	147,547	13,633	468,903	5,085,327	5,271,598
Revenues												
Total Revenues	2,706,319	389,794	5,600	34,500	18,500	268,920		120,750			3,544,383	2,151,750
Interfund Transfers In												*80,000*
inclued in Revenues				*34,000*	*3,000*							
Expenditures												
Total Expenditures	2,488,483	387,338	1,000	-	23,650	267,420	2,360,140	150,300			5,678,331	2,284,609
Interfund Transfers Out												
included in Expenditures — *To Water & Sewer*	*80,000*											
To Replacement	*34,000*											
To Beautification	*3,000*											
Estimated Fund Balances - 9/30/2021	1,607,225	91,565	38,088	114,121	17,710	425,764	56,373	117,997	13,633	468,903	2,951,379	5,138,739

Contingency Fund (8.03%)	200,000
(Up to 10% allowed by charter)	
Estimated General Fund Cash - 9/30/2021	**1,407,225**

GFOA's best practice on general fund reserves recommends at a minimum that cities regardless of size, maintain unrestricted undesignated fund balance of no less than two months of operating revenues or expenditures	**414,747**
Estimated 9/30/2021 Undesignated & Available	**992,478**

** As of 9/30/2019, Water & Sewer Net Position was made up as follows:

Net Investment in Capital Assets	1,398,660.00
Restricted (bond proceeds)	3,946,213.00
Unrestricted	(108,766.00)
	5,236,107

9/30/2020 Net position will be calculated to include depreciation and debt balance after year end.

	Summary of Cash Flow - FY21								Enterprise Fund	
	General Fund	**Debt Service Fund**	**Court Tech and Security**	***Equipment Replace***	**KRB Fund**	**Trans Fund**	**2019A Capital Projects**	**Crime Control and Prev**	**Water & Sewer**	**2019B Capital Project**
Estimated Available Fund Balances - 9/30/2020	**1,389,389**	**89,109**	**33,488**	**79,621**	**22,860**	**424,264**	**2,416,513**	**147,547**	**5,271,598**	**3,854,364**
Revenues										
PROPERTY TAXES	1,809,381	388,794								
FRANCHISE FEES	190,000									
SALES TAXES	508,000					120,000		120,000		
COURT FINES AND FEES	75,000									
LICENSES AND FEES	97,550									
INTERGOVERNMENTAL	1,000									
TRANSPORTATION FEES						147,420				
OTHER REVENUE/NON OPERATING	25,388	1,000		500	15,500	1,500		750	1,750	25,000
OPERATING REVENUE			5,600						2,070,000	
Total Revenues	**2,706,319**	**389,794**	**5,600**	**500**	**15,500**	**268,920**	**0**	**120,750**	**2,071,750**	**25,000**
Expenditures										
GENERAL GOVERNMENT ADMINISTRATION	692,671		1,000							
JUDICIAL	91,745									
POLICE DEPARTMENT	1,055,912									
FIRE DEPARTMENT	255,743									
PUBLIC WORKS	190,762									
PARKS	40,650									
KRB OPERATION EXPENSE					23,650					
DEVELOPMENT EXPENSE	44,000									
ENGINEERING & PLANNING							234,100			
STREETS						169,140	782,240			
SIDEWALKS						49,140	243,800			
DRAINAGE						49,140	1,100,000			
POLICE SUPPORT								20,300		
POLICE - CAPITAL EXPENDITURE								130,000		
SEWER UTILITY									848,672	
WATER UTILITY									797,666	
SOLID WASTE UTILITY									280,000	
BOND PAYMENT-LONG TERM DEBT		387,338							302,271	
NORTH WATER PLANT PROJECT										3,879,364
Total Expenditures	**2,371,483**	**387,338**	**1,000**	**0**	**23,650**	**267,420**	**2,360,140**	**150,300**	**2,228,609**	**3,879,364**
Interfund Uses & Sources										
Transfers in	0			34,000	3,000				80,000	
Transfers out	317,000								56,000	
includes $200,000 contingency fund transfer										
Net Uses & Sources	**(317,000)**	**0**	**0**	**34,000**	**3,000**	**0**	**0**	**0**	**24,000**	**0**
Total Revenue less Total Expenditures	**17,836**	**2,456**	**4,600**	**34,500**	**(5,150)**	**1,500**	**(2,360,140)**	**(29,550)**	**(132,859)**	**(3,854,364)**
Estimated Unrestricted Fund Balances - 9/30/2021	**1,407,225**	**91,565**	**38,088**	**114,121**	**17,710**	**425,764**	**56,373**	**117,997**	**5,138,739**	**0**

ORDINANCE NO. 20-469

AN ORDINANCE OF THE CITY OF RICHWOOD, TEXAS, MAKING CERTAIN FINDINGS OF FACT REGARDING THE FILING OF A PROPOSED BUDGET FOR SAID CITY BY THE MAYOR THEREOF; ADOPTING A BUDGET FOR SAID CITY FOR THE FISCAL YEAR OCTOBER 1, 2020 - SEPTEMBER 30, 2021; PROVIDING A SEVERANCE CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE FOR THIS ORDINANCE.

WHEREAS, on August 10, 2020, the City Manager of the City of Richwood submitted the proposed Budget for the City of Richwood Fiscal Year 2020-2021 to the City Council; and

WHEREAS, on August 7, 2020, the City Manager of the City of Richwood filed with the City Secretary the proposed Budget for the City of Richwood Fiscal Year 2020-2021; and

WHEREAS, a public hearing on said budget was duly held on August 24, 2020 and all interested persons were given an opportunity to be heard for or against any item thereof.

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

SECTION 1: That the City Council hereby adopts and approves the budget as filed with the City Secretary and amended for the fiscal year beginning October 1, 2020 through September 30, 2021 and hereby appropriates the amounts as specified therein at the fund level.

SECTION 2: That the City Manager shall cause copies of the budget to be filed with the City Secretary and the County Clerk of Brazoria County.

SECTION 3: That in the event any section of provision of this ordinance is found to be unconstitutional, void or inoperative by the final judgment of a court of competent jurisdiction, such defective section or provision, if any, is hereby declared to be severable from the remaining sections and provisions of this ordinance such remaining sections and provisions shall remain in full force and effect.

SECTION 4: This Ordinance shall be effective as of October 1, 2020.

PASSED AND APPROVED on the first and final reading this 14th day of September, 2020.

CITY OF RICHWOOD

Mike Johnson, Mayor Pro Tem

FY 2020-2021 BUDGET ORDINANCE - EXHIBIT A

City of Richwood
FY 2020-2021 Budget
Consolidated Fund Summary

REVENUES & SOURCES OF FUNDS	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY20 Budget	FY21 Proposed
Major & Other Operating Funds					
General Fund	2,934,606	3,060,651	2,952,911	2,756,410	2,706,319
I&S Debt Service Fund	176,480	267,078	353,744	357,602	389,794
Crime Control & Prevention District Fund	126,149	121,054	110,597	120,000	120,750
Beautification Fund	15,508	17,199	17,420	17,020	18,500
Transportation Fund	138,794	141,738	695,095	839,740	268,920
Water & Sewer Fund	2,201,717	2,300,365	2,299,227	2,127,600	2,151,750
Sub-Total:	**5,593,254**	**5,908,085**	**6,428,993**	**6,218,372**	**5,656,033**
Capital Projects & Construction Funds					
Series 2019 A Bond Capital Projects Fund	0	2,907,000	0		0
Series 2019 B Bond Capital Projects Fund	0	3,959,617	55,410	0	25,000
Sub-Total:	**0**	**6,866,617**	**55,410**	**0**	**25,000**
TOTAL REVENUES & SOURCES OF FUNDS	**5,593,254**	**12,774,702**	**6,484,403**	**6,218,372**	**5,681,033**
EXPENDITURES & USES OF FUNDS					
Major & Other Operating Funds					
General Fund	2,731,850	2,654,801	2,991,064	2,764,583	2,688,483
I&S Debt Service Fund	174,711	266,284	374,059	354,764	387,338
Crime Control & Prevention District Fund	42,237	147,669	135,534	183,112	150,300
Beautification Fund	9,898	14,570	24,970	30,150	23,650
Transportation Fund	53,018	135,405	441,422	936,222	267,420
Water & Sewer Fund	2,225,663	6,270,607	2,263,736	2,574,658	2,284,609
Sub-Total:	**5,237,377**	**9,489,336**	**6,230,785**	**6,843,489**	**5,801,800**
Capital Projects & Construction Funds					
Series 2019 A Bond Capital Projects Fund	0	0	546,860	2,907,000	2,360,140
Series 2019 B Bond Capital Projects Fund	**0**	**0**	**546,860**	**2,907,000**	**2,360,140**
Sub-Total:	**0**	**0**	**1,093,720**	**5,814,000**	**4,720,280**
TOTAL EXPENDITURES & USES OF FUNDS	**5,237,377**	**9,489,336**	**7,324,505**	**12,657,489**	**10,522,080**

City of Richwood
FY 2020-2021 Budget
General Fund
Budget Summary

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2020 Budget	FY 2021 Proposed	% Change FY 2020 Budget to Proposed
Revenue Summary						
Property Taxes	$ 1,706,388	$ 1,683,122	$ 1,679,400	$ 1,696,000	$ 1,809,381	6.7%
Sales & Other Taxes	823,549	804,543	721,141	648,000	698,000	7.7%
Licenses & Permits	87,075	105,004	108,900	112,250	71,250	-36.5%
Intergovernmental	-	177,309	-	1,100	1,000	-9.1%
Charges for Services	9,804	6,507	1,800	8,500	1,000	-88.2%
Fines & Forfeitures	129,219	100,642	70,000	104,000	75,000	-27.9%
Special Revenues	10,360	5,353	2,688	1,200	2,688	124.0%
Interest	14,240	35,148	30,500	14,000	17,000	21.4%
Miscellaneous	71,799	38,613	41,460	29,360	31,000	5.6%
Operating Transfers	82,172	104,410	297,022	142,000	-	-100.0%
Total Revenue	**$ 2,934,606**	**$ 3,060,651**	**$ 2,952,911**	**$ 2,756,410**	**$ 2,706,319**	-1.8%
Expenditure Summary						
Administration	$ 515,537	$ 683,665	$ 528,968	$ 519,488	$ 659,408	26.9%
Finance	-	-	163,381	248,348	-	-100.0%
Judicial	132,894	83,477	52,921	87,146	91,745	5.3%
Permitting & Inspections	106,043	87,439	53,662	78,750	24,725	-68.6%
Special Revenue Expenditures	9,125	12,333	3,164	-	2,388	100.0%
Police Department	964,446	902,327	890,104	984,862	1,055,912	7.2%
Fire Department	155,378	227,090	279,675	266,657	255,743	-4.1%
Code Enforcement	48,641	57,622	32,026	52,730	6,150	-88.3%
City Maintenance	225,287	189,452	195,263	248,915	190,762	-23.4%
Streets & Drainage	-	-	-	-	-	
Disaster & Emergency	47,924	-	2,888	-	-	
Parks & Recreation	36,449	29,855	41,641	40,920	40,650	-0.7%
380 Agreements	154,341	110,890	82,000	-	44,000	100.0%
Miscellaneous Expenditures	-	-	72,087	113,367	-	-100.0%
Transfers out	335,785	270,651	593,283	123,400	317,000	156.9%
Total Expenditures	**$ 2,731,850**	**$ 2,654,801**	**$ 2,991,064**	**$ 2,764,583**	**$ 2,688,483**	-2.8%
Revenues Over (Under) Expenditures:	**$ 202,756**	**$ 405,850**	**$ (38,153)**	**$ (8,173)**	**$ 17,836**	

City of Richwood
FY 2020-2021 Budget
I & S Debt Service Fund
Budget Summary

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2020 Budget	FY 2021 Proposed	% Change FY 2020 Budget to Proposed
Revenue Summary						
Property Taxes	176,050	167,389	352,674	355,602	388,794	9.3%
Interest	430	738	1,070	2,000	1,000	100.00
Total Revenue	**$ 176,480**	**$ 267,078**	**353,744**	**$ 357,602**	**$ 389,794**	**45.9%**
Expenditure Summary						
Bond Debt Payments	174,711	266,284	374,059	354,764	387,338	9.2%
Total Expenditures	**$ 174,711**	**$ 266,284**	**374,059**	**$ 354,764**	**$ 387,338**	**9.2%**
Revenues Over (Under) Expenditures:	**$ 1,769**	**$ 794**	**$ (20,315)**	**$ 2,838**	**$ 2,456**	-

City of Richwood
FY 2020-2021 Budget
Beautification Fund
Budget Summary

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2020 Budget	FY 2021 Proposed	% Change FY 2020 Budget to Proposed
Revenue Summary						
Charges & Fees	$ 14,508	$ 14,691	14520	$ 14,520	$ 14,500	-0.1%
Community Garden	$ -	$ -	400	$ -	$ 1,000	100.0%
Miscellaneous Revenue	-	1,508	0	-	-	0.0%
Transfer from General Fund	1,000	1,000	2500	2,500	3,000	20.0%
Total Revenue	**$ 15,508**	**$ 17,199**	**$ 17,420**	**$ 17,020**	**$ 18,500**	**8.7%**
Expenditure Summary						
Contract Labor	$ 8,175	$ 7,075	6000	$ 8,500	$ 4,800	-43.5%
Training & Travel	$ -	$ 3,930	1000	$ 4,500	$ 5,500	22.2%
Supplies & Materials	14	1,590	1840	1,350	2,550	88.9%
Maintenance & Repairs	988	1,033	7000	7,000	2,000	-71.4%
Other Expenses	721	942	1530	1,800	2,300	27.8%
Equipmemt Purchased	-	-	7000	7,000	3,500	-50.0%
Community Garden	-	-	600	-	3,000	100.0%
Total Expenditures	**$ 9,898**	**$ 14,570**	**$ 24,970**	**$ 30,150**	**$ 23,650**	**-21.6%**
Revenues Over (Under) Expenditures:	**$ 5,610**	**$ 2,629**	**$ (7,550)**	**$ (13,130)**	**$ (5,150)**	

City of Richwood
FY 2020-2021 Budget
Transportation Fund
Budget Summary

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2020 Budget	FY 2021 Proposed	% Change FY 2020 Budget to Proposed
Revenue Summary						
Sales Tax - Streets	$ -	$ -	$ 111,095	$ -	$ 120,000	100.0%
Transportation Fee	137,671	138,779	129,414	266,000	147,420	-44.6%
Interest Earnings	1,123	2,959	1,250	2,500	1,500	-40.0%
Transfers In	-	-	453,336	571,240	-	-100.0%
Total Revenue	**$ 138,794**	**$ 141,738**	**$ 695,095**	**$ 839,740**	**$ 268,920**	**-68.0%**
Expenditure Summary						
Contracts & Services	$ -	$ -	$ 40,000	$ 40,000	$ -	0.0%
Streets - M&R	$ 38,275	$ 13,430	$ 60,000	$ 460,000	$ 169,140	-63.2%
Sidewalks - M&R	$ 9,995	$ 4,800	$ 15,000	$ 88,000	$ 49,140	-44.2%
Drainage - M&R	$ 4,748	$ 52,000	$ 30,000	$ 52,000	$ 49,140	-5.5%
Capital Equipment	$ -	$ -	$ 200	$ -	$ -	0.0%
Capital Improvements	-	49,601	-	-	-	0.0%
Transfers Out	-	15,574	296,222	296,222	-	100.0%
Total Expenditures	**$ 53,018**	**$ 135,405**	**$ 441,422**	**$ 936,222**	**$ 267,420**	**-71.4%**
Revenues Over (Under) Expenditures:	**$ 85,776**	**$ 6,333**	**$ 253,673**	**$ (96,482)**	**$ 1,500**	

City of Richwood
FY 2020-2021 Budget
Crime Control & Prevention Fund
Budget Summary

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2020 Budget	FY 2021 Proposed	% Change FY 2020 Budget to Proposed
Revenue Summary						
Sales Taxes	125,531	119,642	110,098	120,000	120,000	0.0%
Interest	618	1,412	499	0	750	100.0%
Total Revenue & Sources of Funds	**126,149**	**121,054**	**110,597**	**120,000**	**120,750**	**0.6%**
Expenditure Summary						
Personnel Services	42,237	89,178	77,689	105,782	10,300	-90.3%
Supplies	0	0	5,687	10,000	10,000	0.0%
Maintenance & Reparis	0	14,265	41,523	48,605	0	-100.0%
Miscellaneous	0	137	0	0	0	0.0%
Capital Outlay	0	44,089	10,635	18,725	130,000	594.3%
Total Expenditures	**42,237**	**147,669**	**135,534**	**183,112**	**150,300**	**-17.9%**
Revenues Over (Under) Expenditures:	**83,912**	**-26,615**	**-24,937**	**-63,112**	**-29,550**	-

City of Richwood
FY 2020-2021 Budget
Water & Sewer Enterprise Fund
Budget Summary

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2020 Budget	FY 2021 Proposed	% Change FY 2020 Budget to Proposed
Revenue Summary						
Water Revenue	$ 914,190	$ 976,411	$ 1,049,771	$ 989,000	$ 967,000	-2.22%
Sewer Revenue	762,082	830,152	837,773	837,200	820,000	-2.05%
Solid Waste Revenue	260,622	281,229	306,085	282,000	283,000	0.35%
Non-Operating Revenue	264,823	212,573	105,598	19,400	81,750	321.39%
Total Revenue	**$ 2,201,717**	**$ 2,300,365**	**$ 2,299,227**	**$ 2,127,600**	**$ 2,151,750**	1.14%
Expenditure Summary						
Water Department	$ 753,958	$ 882,488	$ 760,180	$ 675,273	$ 797,666	18.12%
Sewer Department	463,908	537,564	809,751	1,004,524	848,672	-15.52%
Solid Waste Department	252,098	269,611	270,719	290,732	280,000	-3.69%
Non-Operating Expense	440,932	4,284,673	423,086	604,129	358,271	-40.70%
Depreciation	314,767	296,271	-	-		
Total Expenditures	**$ 2,225,663**	**$ 6,270,607**	**$ 2,263,736**	**$ 2,574,658**	**$ 2,284,609**	-11.27%
Revenues Over (Under) Expenditures:	**$ (23,946)**	**$ (3,970,242)**	**$ 35,491**	**$ (447,058)**	**$ (132,859)**	-70.28%

City of Richwood
FY 2020-2021 Budget
2019B Bond Project - North Water Plant
Budget Summary

Bond Proceeds held Fund:	**3,940,000**				
	FY 2018 Actual	**FY 2019 Actual**	**FY 2020 Projected**	**FY 2020 Budget**	**FY 2021 Proposed**
Revenue					
334100 Interest Revenue	0	19,617	55,410	0	25,000
Total Revenue	**0**	**19,617**	**55,410**	**0**	**25,000**
Expenditures					
339004 Engineering & Surveying	0	0	180,774	358,000	177,226
339006 Water Plant Easements	0	0	20,000	0	0
339008 Water Plant Construction	0	0		3,582,000	3,562,000
Total Expenditures	**0**	**0**	**200,774**	**3,940,000**	**3,739,226**
Total -	**0**	**19,617**	**-145,364**	**3,940,000**	**-3,854,364**
Remaining Bond Proceeds			**3,739,226**		**0**

City of Richwood
FY 2020-2021 Budget
2019A Bond Project - Streets, Sidewalks & Drainage
Budget Summary

Bond Proceeds held in General Fund:	**2,907,000**				
	FY 2018 Actual	**FY 2019 Actual**	**FY 2020 Projected**	**FY 2020 Budget**	**FY 2021 Proposed**
Expenditure Summary					
269004 Engineering & Surveying	0	0	20,900	255,000	234,100
269006 Capital Outlay - Streets	0	0	519,760	1,302,000	782,240
269008 Capital Outlay - Sidewalks	0	0	6,200	250,000	243,800
269010 Capital Outlay - Drainage/ROW	0	0	0	1,100,000	1,100,000
Total Expenditures	**$ -**	**$ -**	**$ 546,860**	**$ 2,907,000**	**$ 2,360,140**
Remaining Proceeds			**$ 2,360,140**		**$ -**

The **General Fund** is the principal operating fund where the various department budgets are recorded. In general, all activities are recorded in this fund unless there is a managerial or legal reason for it to be recorded in another fund.

The General Fund receives revenues from property taxes, permits, franchise taxes, sales tax, fines, fees for services, interest income, and several other miscellaneous general revenue sources.

The General Fund includes the following departments:

- Administration – *includes the offices of City Manager, City Secretary & Finance Director*
- City Maintenance
- Judicial
- Police Department
- Fire Department
- Parks & Recreation
- Code Enforcement
- Permitting & Inspections

As with all funds of the City, the City Council is the final authority over allocations in the General Fund Budget.

FISCAL YEAR 2021 BUDGET

The undesignated General Fund balance at the end of Fiscal Year 2020 is estimated to be $1,389,389. This is based on the adjustments made for Fiscal Year 2020 and will be updated as part of the budget process for Fiscal Year 2022.

Revenues – Expected operating revenues for Fiscal Year 2021are $2,706,319, 3.5% more than the previous year's budget amount and 1.9% more than the Fiscal Year 2020 revised end of year projection.

Expenditures – Budgeted operating expenditures for Fiscal Year 2021 is $2,371,483. This is an 2.8% decrease from the previous year's budget amount and a decrease of 1.1% from the Fiscal Year 2020 revised end of year projection.

Ending Fund Balance – The anticipated ending fund balance for Fiscal Year 2021 is $1,607,225. This is a increase of $217,836 from the anticipated beginning fund balance, of which $200,000 is then budgeted as a transfer to the contingency fund.

Property Tax Income - The Brazoria County Appraisal District (BCAD) establishes the value of each property within the City of Richwood. The certified taxable value for 2020 is $343,833,130. The certified value for 2020 increased $43,964,553 from the 2020 certified taxable values. The maintenance and operations tax rate for 2020 is set at $0.517222. This is a decreased tax rate from the previous year, resulting in $1,778,381 in General Fund revenue. This is an increase of $118,381 from the FY20 General Fund revenue. The City budgets tax revenue based on the numbers provided by the BCAD, but excludes any amounts listed as protested. This explains the majority of the difference between the official amounts determined when the tax rate is calculated and the amount actually budgeted by the City. Both Property Tax Penalty Income and Delinquent property tax Income are difficult to predict as there is no way to determine how many property owners will pay late and/or have penalties assessed to their tax bills. So these items are based solely upon collections from previous years.

Sales Tax Income - Sales tax is levied on taxable commodities and services purchased within the Richwood city limits at the point of sale. The sales tax rate for the City of Richwood is 8.25% percentage is divided out as indicated:

RICHWOOD SALES TAX BREAKDOWN	
State of Texas	**6.25%**
Brazoria County	**0.50%**
City of Richwood	**1.25%**
Richwood Crime Control & Prevention District	**0.25%**
Richwood – Streets	**0.25%**
	8.25%

Sales Tax for Fiscal Year 2021 has been budgeted at a 3.9% increase from the Fiscal Year 2020 revised budget. We are cautiously optimistic that with an increase in business, we will see an increase in sales tax revenue. Fiscal Year 2020 has surpassed budgeted amounts, even with the effect of the COVID-19 pandemic.

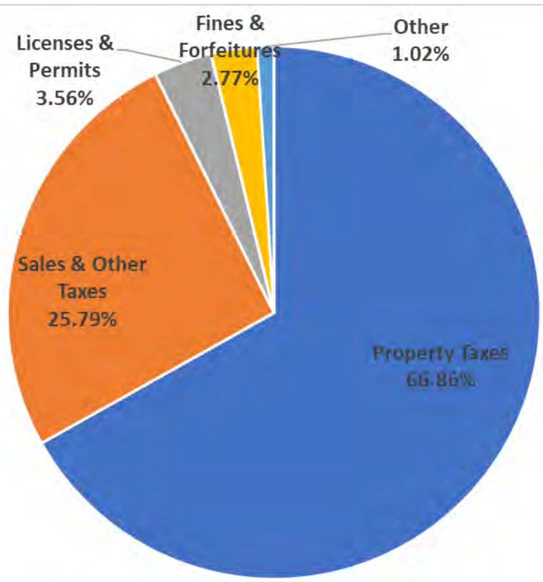
Franchise Taxes Income - This is a fee charged to utility and public service companies that require the use of City right of way to run transmission lines in order to provide their services. These fees vary by company or service and are established by the City Council when the use of the right of way is requested by the service provider. Generally this fee is a percentage of the revenues collected by the service providers from their use of the City right of way. The following is a break down of the largest franchise tax contributors:

Major Franchise Tax Contributors:

CenterPoint Energy	**68%**
Comcast	**23%**
Other Miscellaneous	**9%**

Other sources of General Fund Revenue include:

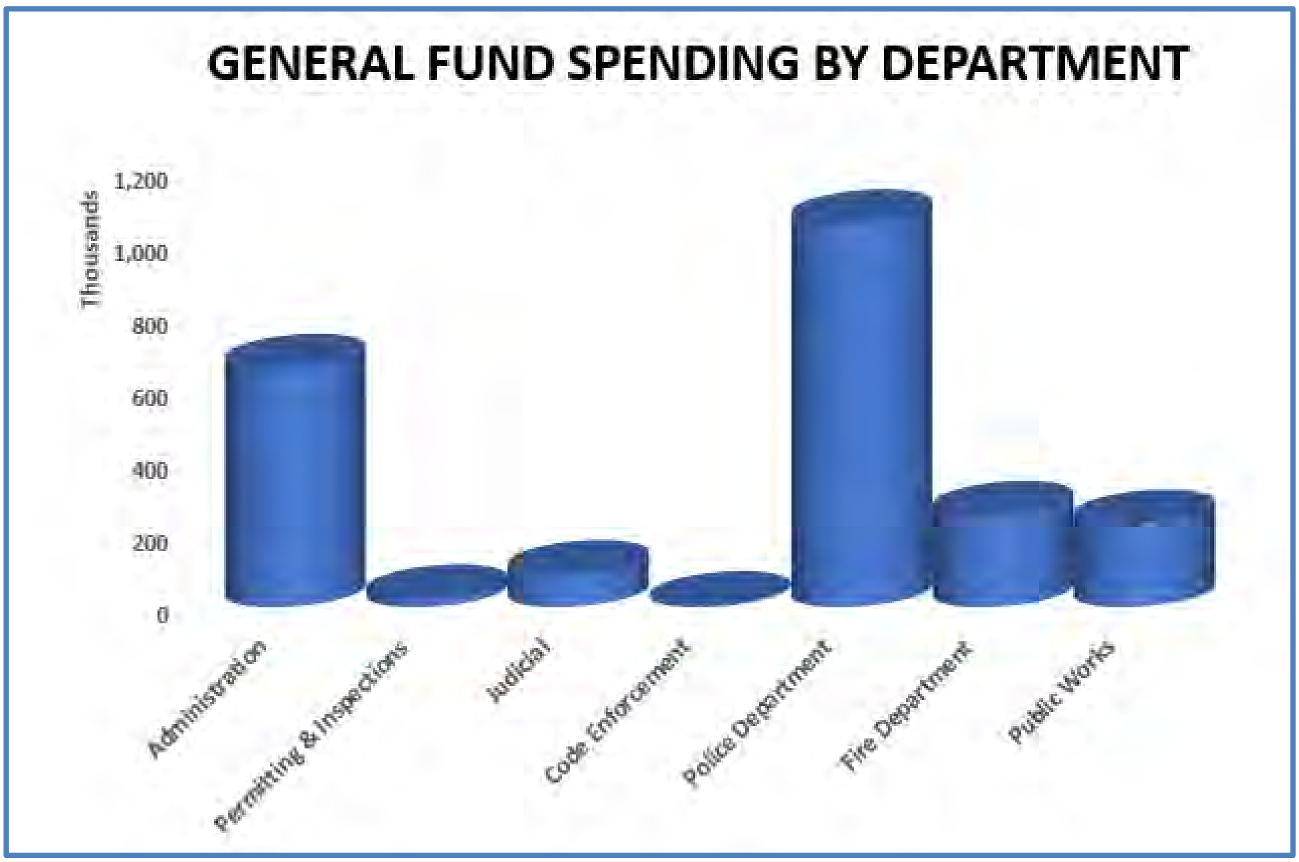
- Permits & Licenses
- Municiple Court Receipts
- Park & Facility Rental Fees
- Interest Revenue on Cash & Investments
- Grants



GENERAL FUND REVENUE SOURCES AS A % OF TOTAL

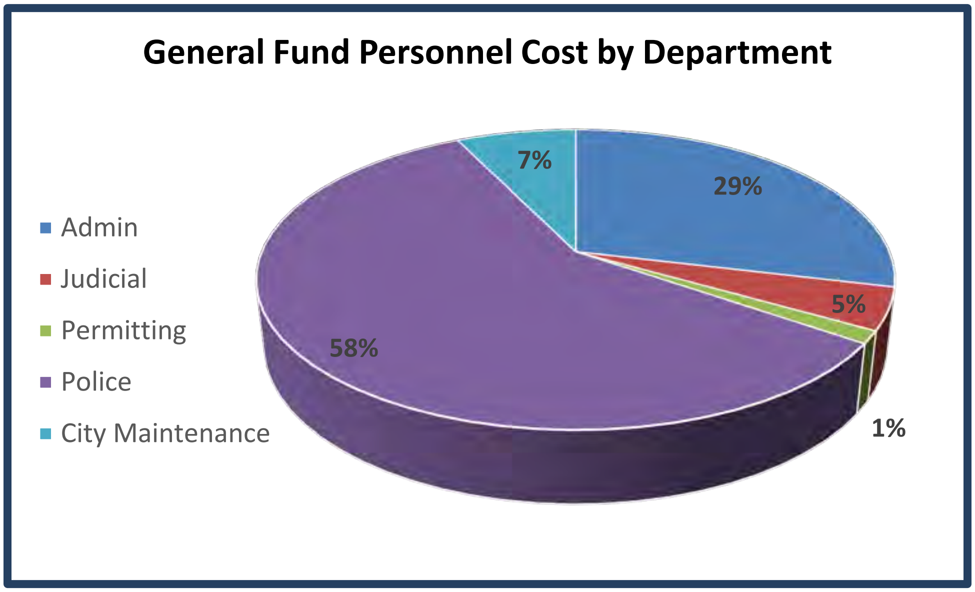
	HISTORY		CURRENT YEAR		BUDGET
Revenue Sources	**FY 2018 Actual**	**FY 2019 Actual**	**FY 2020 Projected**	**FY 2020 Budget**	**FY 2021 Adopted**
Property Taxes	1,706,388	1,683,122	1,679,400	1,696,000	1,809,381
Sales & Other Taxes	823,549	804,543	721,141	648,000	698,000
Licenses & Permits	87,075	105,004	108,900	112,250	96,250
Intergovernmental	0	177,309	0	1,100	1,000
Facility Rentals	9,804	6,507	1,800	104,000	1,000
Fines & Forfeitures	129,219	100,642	70,000	8,500	75,000
Special Revenues	10,334	5,353	2,688	1,200	2,688
Interest	14,240	35,148	30,500	14,000	17,000
Miscellaneous	71,799	162,390	41,460	29,360	6,000
Total Revenue	**2,852,408**	**3,080,018**	**2,655,889**	**2,614,410**	**2,706,319**

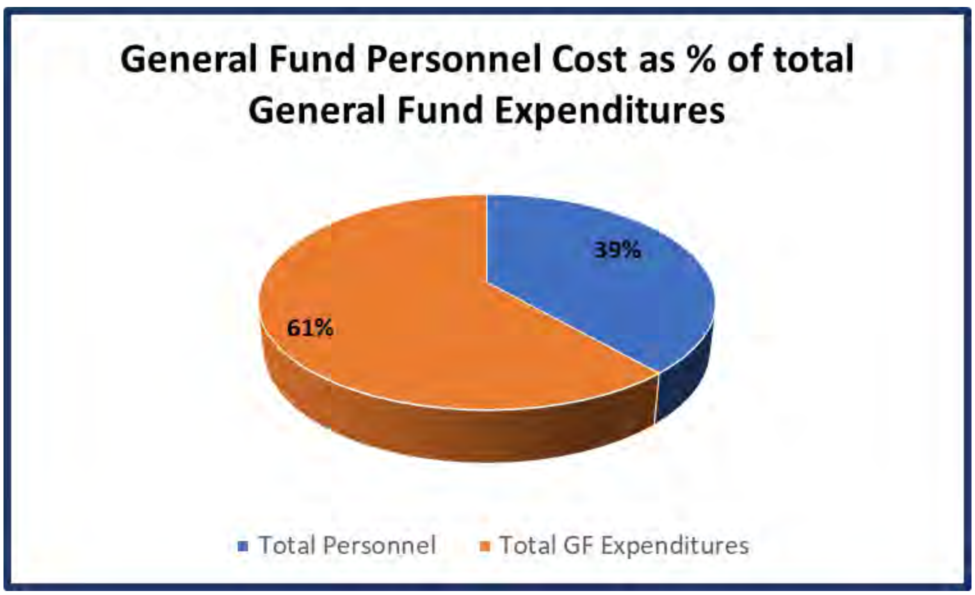
Expenditures by Department	HISTORY FY 2018 Actual	HISTORY FY 2019 Actual	CURRENT YEAR FY 2020 Projected	CURRENT YEAR FY 2020 Budget	BUDGET FY 2021 Adopted
Administration	515,537	683,665	692,349	767,836	659,408
Permitting & Inspections	106,043	87,439	53,662	78,750	24,725
Judicial	132,894	83,477	52,921	87,146	91,745
Code Enforcement	48,641	57,622	32,026	52,730	6,150
Police Department	964,446	902,327	890,104	984,862	1,055,912
Fire Department	155,378	227,090	279,675	266,657	255,743
Public Works:					231,412
City Maintenance	225,287	189,452	195,263	248,915	190,762
Disaster & Emergency	47,924	0	2,888	0	0
Parks & Recreation	36,449	29,855	41,641	40,920	40,650
Special Revenue Expenditures	9,125	12,333	3,164	0	2,388
Total	**2,241,724**	**2,273,260**	**2,243,694**	**2,527,816**	**2,558,895**



Personnel Costs make up 39% of all General Fund Expenditures. Of the 23 full-time employees with the City, 19 are paid from the General Fund. Personnel costs include:

- Salary & Wages
- Retirement benefits through Texas Municipal Retirement System (TMRS)
- Medicare tax
- Workers Compensation Insurance
- Medical & Dental Insurance – paid for each full-time employee – through Texas Municipal League
- Training





ADMINISTRATION - The Administration Department, headed by the Office of the City Manager, applies Council's direction to daily operations, annual budget processes, and capital improvements, ensuring that municipal efforts are focused on building community. The City Manager, City Secretary, Finance Director, and staff act as liaisons among City Council, citizens, and other organizations.

The City Secretary serves as the liaison between City administration and the elected officials. This officer helps with the preparation of Council agendas, gives notice of Council meetings, keeps minutes, enrolls approved laws, resolutions and ordinances, keeps the corporate seal, countersigns applicable commission, licenses and contracts, administers City elections, conducts Boards and Commission appointments, responds to request for Public Information, and maintains an appropriate records management program. In addition, the Richwood City Secretary handles all Human Resource duties and responsibilities.

The Finance Director and staff are responsible for providing accurate and timely financial reporting to parties with a vested interest in the City's financial activity and health. Finance recommends and implements sound fiscal policies, safeguards the City's assets, and assures the effective use of fiscal resources in accordance with the City's policies and procedures, generally accepted accounting principles, pertinent rules and laws, and best practices.

Laura Tyner
Utility Billing &
Permitting/Inspections
Coordinator

All utility account set up and billing is performed by Administrative staff. Monthly bills are sent on or about the 25th of each month for the period ending the previous 10th.

Included within the Finance office is Permitting and Inspections. All applications and fees are processed for a variety of permits. Inspections for new construction, improvements, and rental property are scheduled. The city currently contracts with BBG Services for all building inspections.

The Administration team of the city consists of several new faces. The immediate goal is to work together to streamline processes, increase accuracy, and provide excellent customer service to our residents. As we move forward, this team will work hard to improve all aspects of their positions.

Linda Pace
Administrative Assistant
Payroll & Accounts Payable

CITY MAINTENANCE – The City Maintenance department, managed by the Director of Public Works, is responsible for all general maintenance of the city properties. Included in this department is maintenance and repair of city facilities at the Municipal Building, HVAC systems, and other routine maintenance issues. Maintenance and repair of city streets, sidewalks and drainage is not included in this department, but are contained within the Transportation Fund. The primary goal of the City Maintenance staff is to prevent costly repairs by providing thorough preventative maintenance to our structures, equipment, and fixtures.

Public Works Department: Chuck Wegwerth, Clif Custer, Steve Cook, Zach Baker , Andrew Griffith, Juan Rivera

JUDICIAL - The Judicial Department is led by the Court Administrator as part of the duties of the City Secretary. The Judicial department is the home of the Richwood Municipal Court, with a mission to act as an impartial forum to address legal charges brought against an individual. The Court schedules appearances before a judge, summons jurors, collects fines as levied, issues warrants, and performs any administrative duties, as necessary. Also included within the Judicial Department is Code Enforcement protects the health, safety, and well-being of the citizens of Richwood, through routine inspections, education, monitoring, investigation, and enforcement of food and environmental ordinances.

Lori Salazar
Court Clerk

PARKS & RECREATION - This department is responsible for directing and managing a program of developing and providing parks and recreational services and facilities for the residents of the City of Richwood. Along with the Beautification Committee, this department maintains and develops our City parks, parkways, landscaping projects, and green areas surrounding City buildings and facilities. Areas are maintained according to standards which insure safe and aesthetically pleasing places of leisure through mowing, horticulture practices, repair, cleaning, and litter removal. It also provides recreational, education, and physical activities for the public. The programs provided utilize our City facilities and parks and are a vital contribution to the enhancement of the quality of life in our community.

Current Parks include:

- Richwood Municipal Park
- Bobby Ford Park
- Larry Johnson Memorial Park
- Dorothy Torrence Park
- Freedom Park

Richwood Municipal Park, soon to be renamed Ellis Park, in honor of Janet & Garry Ellis, longtime Richwood volunteers.

FIRE DEPARTMENT - The Fire & Rescue Department is responsible for serving the public by preserving and protecting life, property, and the environment for the citizens of Richwood and surrounding areas. Richwood has no paid staff within the Fire Department. All members, including the Fire Chief, are volunteers. However, Richwood does contribute to a pension plan for each member. Costs incurred by the VFD are funded as part of the General Fund. In addition, a voluntary donation of $1.50 is included in most utility bills and is restricted to use by the VFD.

Within the Fire Department budget is the ambulance service the city provides for its residents. Under contract with the City of Clute, ambulance service is available 24/7 at no additional cost to residents.

POLICE DEPARTMENT - The mission of the Richwood Police Department is to maintain a safe and peaceful community environment by providing effective law enforcement services through partnerships, community education, and outstanding public service. The residents of Richwood are fortunate to have a very low crime rate, primarily thanks to our Richwood Police Department under the leadership of Chief Mayer. In addition to funding from the General Fund, the police department receives benefit from the Crime Control & Prevention District (CCPD), with revenue from a voter approved portion of the sales tax rate.

Chief Stephen Mayer

Sergeant Brett Schilhab

Sergeant Kevin Munley

Officer Jarett Skelton

Officer Jeremy Richards

Officer Jeff Dixie

Officer Dan Mathes

Officer Rashid Abdullah

Officer Stacy Holm

Officer/Detective Christopher Mayfield

Utility Administration

- ✓ **Water Utility**
- ✓ **Wastewater Utility**
- ✓ **Utility Billing**

Richwood Utility Rates

	GALLONS		
	BASE RATE 0-2,000	2,001-20,000	Over 2,000
Water	$ 29.79	$ 4.90	$ 5.10
Sewer	$ 24.65	$ 4.35	$ 4.35

Garbage Service	BASE RATE	ADD'L ITEM	includes regular, recycle & large trash pickup.
	$ 18.85	$ 7.00	

This fund, also referred to as the Enterprise Fund, functions like the private sector, including all assets regardless if they are available for spending. The utility fund accounts for the City's water, sewer, and solid waste operations. All activities to maintain these services are accounted for in this fund, including but not limited to operations, maintenance, billing and collections, administration, financing, and related debt.

The Utility Fund's principal sources for revenues are charges to customers for water consumption, wastewater collection, and fees related to providing consumers with water and wastewater services.

A utility rate increase was approved by The City Council in October 2019 and went into effect with the December 2019 billing. This increase was implemented to further offset the costs of operation of the utility plants.

The City purchases water from the Brazosport Water Authority (BWA). BWA increased the rate charged to Richwood, necessitating that the increase be passed along to the consumer.

The City Sewer plant is fully functional but beginning to show signs of needed repairs and replacements. A portion of the Sewer rate increase will go to a special reserve fund to defray eventual costs for these improvements, thereby alleviating the need for additional debt.

Solid Waste (Garbage) Service is contracted through Waste Connections. The fees charged to the residents are a direct pass through to Waste Connections.

A transportation fee of $5.00 is included in each utility bill. This revenue is put directly to the Transportation Fund, which is responsible for maintenance, repair and replacement of the city streets, sidewalks, and drainage. Also included are two voluntary donations, $1.50 per bill to the Fire Department and $1.00 to Keep Richwood Beautiful. The availability of these monies has increased the quality of what each group has accomplished and reduced the impact on the General Fund.

WATER & SEWER ENTERPRISE FUND	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Revenue Summary				
Water Revenue	914,190	976,411	1,049,771	967,000
Sewer Revenue	762,082	830,152	837,773	820,000
Solid Waste Revenue	260,622	281,229	306,085	283,000
Non-Operating Revenue	264,823	212,573	105,598	81,750
Total Revenue	**2,201,717**	**2,300,365**	**2,299,227**	**2,151,750**
Expenditure Summary				
Water Department	753,958	882,488	760,180	797,666
Sewer Department	463,908	537,564	809,751	848,672
Solid Waste Department	252,098	269,611	270,719	280,000
Non-Operating Expense	440,932	284,673	423,086	358,271
Depreciation	314,767	296,271	**	**
Total Expenditures	**2,225,663**	**2,270,607**	**2,263,736**	**2,284,609**
Revenues Over (Under) Expenditures:	**-23,946**	**6,107**	**35,491**	**-132,859**

Beginning Net Position: The anticipated ending Net Position for Fiscal Year 2020 is $5,236,107, of which $1,398,660 represents investment in Capital Assets and $3,946,213 is restricted (bond proceeds for the North Water Plant Capital project. This leaves an unrestricted negative net position of ($108,766). The enterprise fund performed better than budgeted during Fiscal Year 20, creating an anticipated positive balance for operating income. Without considering non-operating items or depreciation, this will have a positive effect on the net position to begin Fiscal Year 21.

The Enterprise Fund has been running in the red for several years, but each year as shown above is an improvement. Steps are being taken to improve efficiency and provide a more balanced budgeting approach for this fund.

Revenues: Operating revenue for Fiscal Year 2021 is budgeted at $2,070,000. This is a decrease of $229,227 from the previous year's projected amount.

Charges for Water Service - **$967,000** This revenue represents water sales generated from residential and commercial water customers. All of the City's water is purchased from Brazosport Water Authority.

Charges for Sewer Services - **$820,000** Sewer rates are linked with water usage. When water usage is predicted to decrease, sewer decreases as well.

Charges for Solid Waste Services - **$283,000** Among the utility services provided to Richwood citizens is a refuse and recycling program. A flat rate is charged per month to cover garbage service, recycling, and bulk pick-up, which is a pass through to Waste Connections, our Solid Waste contractor.

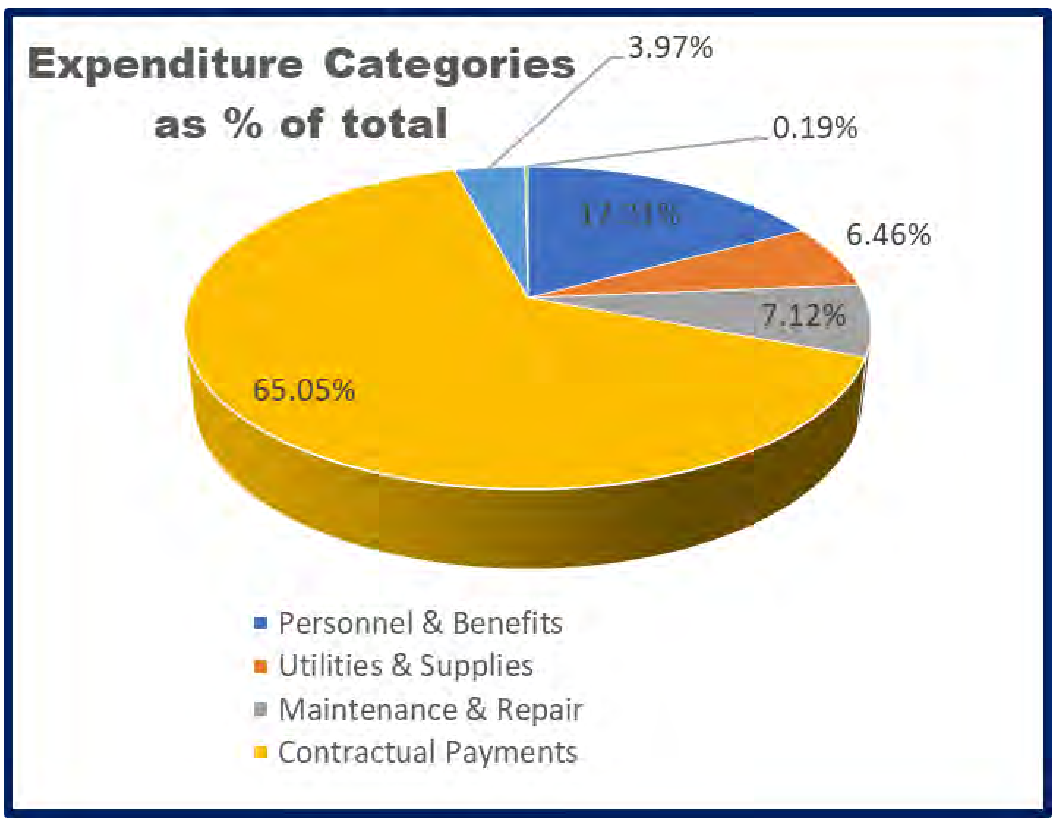
Interfund Transfers to the Enterprise Fund - **$80,000** is budgeted from General Fund to defray cost for a required water system analysis.

ENTERPRISE FUND OPERATING EXPENDITURES	2018 Actual	2019 Actual	2020 Actual	2021 Budget
Personnel & Benefits	261,384	377,926	344,888	331,583
Utilities & Supplies	90,682	101,664	97,013	124,385
Maintenance & Repair	110,529	122,484	87,527	137,240
Contractual Payments	958,786	1,045,088	1,232,153	1,253,080
Insurance and miscellaneous	46,646	38,843	65,806	76,450
Capital Equipment	1,937	3,658	13,263	3,600
OPERATING EXPENDITURES	1,469,964	1,689,663	1,840,649	1,926,338

Operating Expenditures - Operating expenditures for Fiscal Year 2021 are budgeted at $1,926,338. This is an increase of $85,688 over Fiscal Year 2020.

Debt Service - **$302,271** is budgeted for principal and interest payments on existing debt.

Reserves – The Enterprise Fund budget sets aside $56,000 for capital improvements and sewer upgrades. By setting aside this money now, staff is planning to avoid further debt when these expenditures are needed. The budget allows $34,000 to be transferred to the Inflow & Infiltration (I&I) Fund and $22,000 to Capital Improvements Fund.



The Transportation Fund is associated with the General Fund, with the intent to contain all revenues and costs associated with Streets, Sidewalks and Drainage. Money within this fund is restricted in that it is only to be used for this purpose.

Revenue for the Transportation Fund comes from two main sources:

- Transportation Fee – Each utility bill includes a $5 transportation fee, which is transferred to the Transportation Fund.
- Sales Tax – a portion of our sales tax revenue is designated for streets. Of the 8.25% sales tax paid on each purchase within the city, ¼ of 1% is attributed to the Transportation Fund Street Maintenance & Repair line item.

TRANSPORTATION FUND	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Revenue Summary				
Sales Tax - Streets	$ -	$ -	$ 111,095	$ 120,000
Transportation Fee	137,671	138,779	129,414	147,420
Interest Earnings	1,123	2,959	1,250	1,500
Transfers In	-	-	453,336	-
Total Revenue	**$ 138,794**	**$ 141,738**	**$ 695,095**	**$ 268,920**
Expenditure Summary				
Contracts & Services	$ -	$ -	$ 40,000	$ -
Streets - M&R	$ 38,275	$ 13,430	$ 60,000	$ 169,140
Sidewalks - M&R	$ 9,995	$ 4,800	$ 15,000	$ 49,140
Drainage - M&R	$ 4,748	$ 52,000	$ 30,000	$ 49,140
Capital Equipment	$ -	$ -	$ 200	$ -
Capital Improvements	-	49,601	-	-
Transfers Out	-	15,574	296,222	-
Total Expenditures	**$ 53,018**	**$ 135,405**	**$ 441,422**	**$ 267,420**
Revenues Over (Under) Expenditures:	**$ 85,776**	**$ 6,333**	**$ 253,673**	**$ 1,500**

During FY20, a transfer was made from General Fund to Transportation Fund for Sales tax collected but posted in General Fund in FY16-19. A second transfer was made from Transportation to General Fund for expenditures paid out of General Fund for Streets M&R during those same years. This chart reflects the appropriate revenue and expense for FY 18 & 29 and shows the remaining amount of transfer in FY 20.

Fund Balance – The Transportation Fund has an expected fund balance of $424,264 to begin Fiscal Year 2021.

The Debt Service Fund is used to hold revenue received from the debt (I&S) portion of the property taxes. When due, all general obligation debt requirements are disbursed from this fund. Also referred to as the Interest & Sinking Fund (I&S), this fund will also receive revenue from interest.

CITY OF RICHWOOD DEBT OBLIGATION FY 2021

I&S Tax Supported Debt		Principal		Interest		Total
Series 2011, General Obligation Refunding Bonds	$	65,000	$	8,294	$	73,294
Series 2012, Tax & Revenue Certificates of Obligation Bon		50,000		25,550	$	75,550
Series 2019A, General Obligation Bonds		140,000		95,950	$	235,950
FNBLJ Loan - Municipal Building		13,477		7,911	$	21,389
	$	268,477	$	137,705	$	406,183

Water & Sewer System Supported Debt		Principal		Interest		Total
Series 2004, Tax & Revenue Certificates of Obligation Bon	$	30,000	$	8,977	$	38,977
Series 2011, Tax & Revenue Certificates of Obligation		35,000		19,450		54,450
Series 2019B, General Obligation Bonds		50,000		140,000		229,100
	$	115,000	$	168,427	$	322,527

A description of each debt series follows:

- **$500,000 Tax & Revenue Certificates of Obligation Bond Series 2004 -** issued for the purpose of replacing sewer lines in the Glenwood Bayou subdivision. Outstanding balance at the end of FY20 is $175,000 with final maturity in August 2025;
- **$1,035,000 Tax & Revenue Certificates of Obligation Bond Series 2011 –** issued for the purpose of construction of a new water tower and park expansion. Outstanding balance at the end of FY20 is $500,000 with final maturity in August 2031;
- **$740,000 General Obligation Refunding Bond Series 2011 –** issued for the purpose of constructing two water wells. Outstanding balance at the end of FY20 is $265,000 with final maturity in August 2024.
- **$1,115,000 Tax & Revenue Certificates of Obligation Bond Series 2012 –** issued for the purpose of construction of a new municipal building. Outstanding balance at the end of FY20 is $745,000 with final maturity in August 2032;
- **$2,780,000 General Obligation Bond Series 2019A –** issued for the purpose of streets, sidewalks, and drainage construction. Outstanding balance at the end of FY20 is $2,680,000 with a final maturity in August 2039;
- **$3,750,000 General Obligation Bond Series 2019B –** issued for the purpose of construction of a new north Water Plant. Outstanding balance at the end of FY20 is $3,730,000 with a final maturity in August 2049.
- **$300,000 Bank Loan –** This loan was obtained in 2013 for expansion of the Municipal Building. Outstanding balance at the end of FY20 is $215,981. Final payoff is scheduled for August 2032.

Year	Series		Principal	Interest	Annual Total
2021	Series 2004, Tax & Revenue Certificates of Obligation Bonds		$ 30,000	$ 8,977	$ 38,977
	Series 2011, General Obligation Refunding Bonds		65,000	8,294	73,294
	Series 2011, Tax & Revenue Certificates of Obligation		35,000	19,450	54,450
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		50,000	25,550	75,550
	Series 2019A, General Obligation Bonds		140,000	95,950	235,950
	Series 2019B, General Obligation Bonds		50,000	140,000	190,000
		Total:	**$ 370,000**	**$ 298,221**	**$ 668,221**
2022	Series 2004, Tax & Revenue Certificates of Obligation Bonds		$ 35,000	$ 7,189	$ 42,189
	Series 2011, General Obligation Refunding Bonds		65,000	6,260	71,260
	Series 2011, Tax & Revenue Certificates of Obligation		35,000	18,089	53,089
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		55,000	24,050	79,050
	Series 2019A, General Obligation Bonds		145,000	91,750	236,750
	Series 2019B, General Obligation Bonds		85,000	138,500	223,500
		Total:	**$ 420,000**	**$ 285,838**	**$ 705,838**
2023	Series 2004, Tax & Revenue Certificates of Obligation Bonds		$ 35,000	$ 5,237	$ 40,237
	Series 2011, General Obligation Refunding Bonds		65,000	4,225	69,225
	Series 2011, Tax & Revenue Certificates of Obligation		40,000	16,727	56,727
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		55,000	22,400	77,400
	Series 2019A, General Obligation Bonds		140,000	87,400	227,400
	Series 2019B, General Obligation Bonds		115,000	135,950	250,950
		Total:	**$ 450,000**	**$ 271,939**	**$ 721,939**
2024	Series 2004, Tax & Revenue Certificates of Obligation Bonds		$ 35,000	$ 3,269	$ 38,269
	Series 2011, General Obligation Refunding Bonds		70,000	2,191	72,191
	Series 2011, Tax & Revenue Certificates of Obligation		40,000	15,171	55,171
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		55,000	20,475	75,475
	Series 2019A, General Obligation Bonds		140,000	83,200	223,200
	Series 2019B, General Obligation Bonds		135,000	132,500	267,500
		Total:	**$ 475,000**	**$ 256,806**	**$ 731,806**
2025	Series 2004, Tax & Revenue Certificates of Obligation Bonds		$ 40,000	$ 1,140	$ 41,140
	Series 2011, Tax & Revenue Certificates of Obligation		45,000	13,615	58,615
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		60,000	18,550	78,550
	Series 2019A, General Obligation Bonds		140,000	79,000	219,000
	Series 2019B, General Obligation Bonds		135,000	128,450	263,450
		Total:	**$ 420,000**	**$ 240,755**	**$ 660,755**
2026	Series 2011, Tax & Revenue Certificates of Obligation		$ 45,000	$ 11,865	56,865
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		45,000	11,865	56,865
	Series 2019A, General Obligation Bonds		140,000	74,800	214,800
	Series 2019B, General Obligation Bonds		135,000	124,400	259,400
		Total:	**$ 365,000**	**$ 222,929**	**$ 587,929**
2027	Series 2011, Tax & Revenue Certificates of Obligation		$ 45,000	$ 10,114	55,114
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		65,000	14,350	79,350
	Series 2019A, General Obligation Bonds		140,000	70,600	210,600
	Series 2019B, General Obligation Bonds		135,000	120,350	255,350
		Total:	**$ 385,000**	**$ 215,414**	**$ 600,414**
2028	Series 2011, Tax & Revenue Certificates of Obligation		$ 50,000	$ 8,364	58,364
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		65,000	12,075	77,075
	Series 2019A, General Obligation Bonds		140,000	66,400	206,400
	Series 2019B, General Obligation Bonds		130,000	116,300	246,300
		Total:	**$ 385,000**	**$ 203,139**	**$ 588,139**

Year	Series		Principal	Interest	Annual Total
2029	Series 2011, Tax & Revenue Certificates of Obligation		$ 50,000	$ 6,419	56,419
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		65,000	9,800	74,800
	Series 2019A, General Obligation Bonds		140,000	62,200	202,200
	Series 2019B, General Obligation Bonds		135,000	112,400	247,400
		Total:	**$ 390,000**	**$ 190,819**	**$ 580,819**
2030	Series 2011, Tax & Revenue Certificates of Obligation		$ 55,000	$ 4,473	59,473
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		70,000	7,525	77,525
	Series 2019A, General Obligation Bonds		145,000	56,600	201,600
	Series 2019B, General Obligation Bonds		130,000	107,000	237,000
		Total:	**$ 400,000**	**$ 175,598**	**$ 575,598**
2031	Series 2011, Tax & Revenue Certificates of Obligation		$ 60,000	$ 2,334	62,334
	Series 2012, Tax & Revenue Certificates of Obligation Bonds		60,000	2,334	62,334
	Series 2019A, General Obligation Bonds		140,000	50,800	190,800
	Series 2019B, General Obligation Bonds		135,000	101,800	236,800
		Total:	**$ 395,000**	**$ 157,268**	**$ 552,268**
2032	Series 2012, Tax & Revenue Certificates of Obligation Bonds		$ 75,000	$ 2,625	77,625
	Series 2019A, General Obligation Bonds		140,000	45,200	185,200
	Series 2019B, General Obligation Bonds		135,000	96,400	231,400
		Total:	**$ 350,000**	**$ 144,225**	**$ 494,225**
2033	Series 2019A, General Obligation Bonds		$ 145,000	$ 39,600	184,600
	Series 2019B, General Obligation Bonds		135,000	91,000	226,000
		Total:	**$ 280,000**	**$ 130,600**	**$ 410,600**
2034	Series 2019A, General Obligation Bonds		$ 140,000	$ 33,800	173,800
	Series 2019B, General Obligation Bonds		135,000	85,600	220,600
		Total:	**$ 275,000**	**$ 119,400**	**$ 394,400**
2035	Series 2019A, General Obligation Bonds		$ 140,000	$ 28,200	168,200
	Series 2019B, General Obligation Bonds		135,000	80,200	215,200
		Total:	**$ 275,000**	**$ 108,400**	**$ 383,400**
2036	Series 2019A, General Obligation Bonds		$ 140,000	$ 22,600	162,600
	Series 2019B, General Obligation Bonds		135,000	74,800	209,800
		Total:	**$ 275,000**	**$ 97,400**	**$ 372,400**
2037	Series 2019A, General Obligation Bonds		$ 140,000	$ 17,000	157,000
	Series 2019B, General Obligation Bonds		135,000	69,400	204,400
		Total:	**$ 275,000**	**$ 86,400**	**$ 361,400**
2038	Series 2019A, General Obligation Bonds		$ 140,000	$ 11,400	151,400
	Series 2019B, General Obligation Bonds		130,000	64,000	194,000
		Total:	**$ 270,000**	**$ 75,400**	**$ 345,400**
2039	Series 2019A, General Obligation Bonds		$ 145,000	$ 5,800	150,800
	Series 2019B, General Obligation Bonds		135,000	58,800	193,800
		Total:	**$ 280,000**	**$ 64,600**	**$ 344,600**
2040	Series 2019B, General Obligation Bonds		**$ 135,000**	**$ 53,400**	**$ 188,400**
2041	Series 2019B, General Obligation Bonds		**$ 135,000**	**$ 48,000**	**$ 183,000**
2042	Series 2019B, General Obligation Bonds		**$ 130,000**	**$ 42,600**	**$ 172,600**
2043	Series 2019B, General Obligation Bonds		**$ 135,000**	**$ 37,400**	**$ 172,400**
2044	Series 2019B, General Obligation Bonds		**$ 130,000**	**$ 32,000**	**$ 162,000**
2045	Series 2019B, General Obligation Bonds		**$ 135,000**	**$ 26,800**	**$ 161,800**
2046	Series 2019B, General Obligation Bonds		**$ 135,000**	**$ 21,400**	**$ 156,400**
2047	Series 2019B, General Obligation Bonds		**$ 135,000**	**$ 16,000**	**$ 151,000**
2048	Series 2019B, General Obligation Bonds		**$ 130,000**	**$ 10,600**	**$ 140,600**
2048	Series 2019B, General Obligation Bonds		**$ 135,000**	**$ 5,400**	**$ 140,400**

The City of Richwood currently has five main capital projects either being developed or under construction. The projects are:

- Streets
- Sidewalks
- Drainage
- Water Infrastructure
- Wastewater Infrastructure

General Obligation Bond Issue Series 2019A

In 2019, the City of Richwood voters approved an issuance of $5,000,000 in General Obligation Bonds Series 2019A for the purpose of street and road improvements, sidewalk construction and improvements, and drainage improvements. In July 2019, $2,955,000 in bonds were issued, with $2,045,000 to be issued sometime in FY21. Projects under construction are as follows.

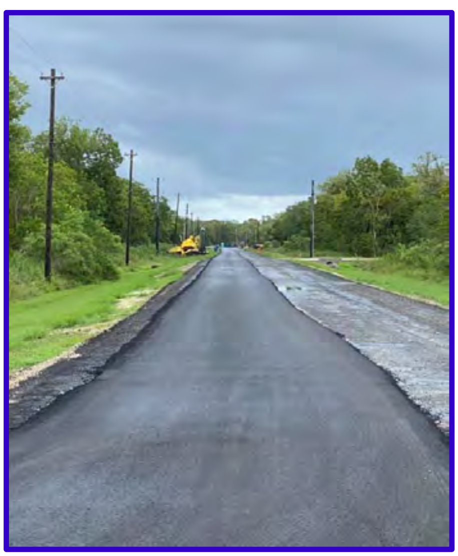
Streets and Roads - $3,000,000

Estimated Duration – 2 years beginning December 1, 2019

Project Location – Davidson Slater Place, Glenwood Bayou, Oakwood Shores

In 2018 the City of Richwood initiated a street assessment that was performed by Strand Associates (Strand Associates currently holds the contract for engineering services for the City of Richwood). The purpose of the street assessment was to identify those streets in Richwood that have failed or are currently experiencing structural failure. Strand Associates have completed geotechnical engineering core samples and have presented three different repair methods to repair Richwood roads utilizing Series A General Obligation Bond Funds.

Street repair will take place in two phases. The most immediate need for street repair due to failed streets is currently in Oakwood Shores. It is estimated that street repair will begin in June-July 2020 in the Oakwood Shores subdivision. It is estimated that street repair within the Davidson Slater and Glenwood Bayou subdivisions will begin Winter of 2020 to Spring of 2021. All road repair is estimated to be complete by December 2022.



Sidewalks - $500,000

Estimated Duration – Completion in 2021

Project Location –

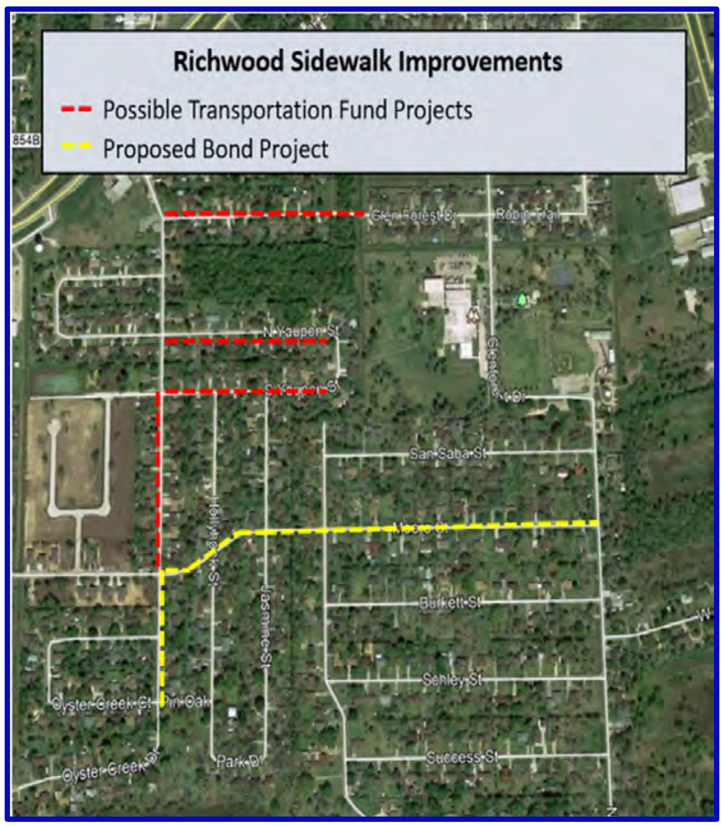
Moore – sidewalk between North Mahan and Oyster Creek Drive
Oyster Creek Drive between Moore and South Yaupon/South Yaupon from Oyster Creek Drive to rear entrance of Polk Elementary

Current target locations for sidewalk repair or new sidewalk construction are Oyster Creek Drive and South Yaupon. Over the years City staff has received numerous requests for sidewalk additions. Moving forward Richwood wants to furnish sidewalks in order to:

1. Protect public health and welfare
2. Provide safe routes to schools
3. Provide increased amenities to Richwood taxpayers

In 2018 the City of Richwood authorized Strand Associates to provide shovel ready engineered plans for sidewalk replacement on Oyster Creek Drive and sidewalk addition on South Yaupon. Public Works funded this engineering out of the operating budget in order to increase the overall amount of money to be spent on sidewalk construction. Strand has designed and delivered engineering plans for a new pedestrian bridge located at Richwood's storm water outfall ditch at South Yaupon. Bid date has been set for December 10th, 2020. Once construction begins, the project will be prioritized as such:

1. Pedestrian Bridge
2. South Yaupon sidewalk addition/Oyster Creek Drive sidewalk replacement
3. Moore Street sidewalk completion



Drainage - $1,500,000

Estimated Project Duration – TBD – Engineering and surveying for development of a Stormwater Master Plan is underway at this time. Approximately 70% complete.

Project Location – TBD – What locations the engineering determines is the best allocation for the funds.

In response to flooding caused by Hurricane Harvey and inconvenience flooding events over the past four years, the City of Richwood tasked Strand Associates with the submittal of a flood mitigation grant application to FEMA in 2018. Strand Associates submitted an application inclusive of a 75 acre/foot overflow retention pond and flood gate project to FEMA. Richwood received a response in late Spring of 2019, that the Richwood's flood mitigation project was selected by FEMA as a secondary project. Although a secondary selection in not a denial, due to the extensive multimillion-dollar primary selections made by FEMA, Richwood is currently developing a Stormwater Master Plan pursuant of near future drainage improvements.

In the FY20 proposed budget City Council approved a Stormwater Master Plan to be developed by Strand Associates. The Stormwater Master Plan provide flow modeling for stormwater flow within the city of Richwood. Flow directional maps will be produced. Confined stormwater drainage will be assessed using remote camera technology. At least 5 separate projects will be proposed based on finding from developing the plan. Richwood intends to use the 1,500,000.00 allotment to address drainage deficiencies within the City.

Currently Strand Associates has begun the survey of Richwood's Stormwater Drainage System. Strand is roughly 70% complete with surveying. The data collected from this survey will entered into GIS (Geographic Information System) mapping. Once entered into GIS Strand Associates will be able to establish a comprehensive flow model and begin to identify drainage deficiencies within the City of Richwood.

Flooding issues, like this scene from Harvey will be mitigated with the assistance of a CBDG-MIT grant.

General Obligation Bond Issue Series 2019B

In 2019, voters approved an issuance of $4,000,000 in General Obligation Bonds Series 2019B for the purpose of improvements to our water infrastructure with the construction of a new North Water Plant.

> Estimated Project Duration – 1.5 years beginning in September 2019 (timelines subject to change)
>
> Project Location – Northeast Richwood (parcel of land deeded to Richwood in Oakwood Shores/beyond the Eastern cul-de-sac of Blue Crab Ct.)

The City of Richwood has been a growing in population at a minimum of 2% annually since 1999. As the City grows, the City's Water and Wastewater infrastructure must continue to grow to meet the demand of the utility costumer. The increased growth that the City has experienced since 2016 has put the City's water producing infrastructure and distribution infrastructure under stress. Richwood's water system has been stressed to the point of noncompliance with Texas Commission on Environmental Quality (TCEQ) compliance standards. These non-compliant aspects of Richwood's water system include lack of static pressure within water distribution under normal operating conditions, and insufficient high service pump capacity (booster pumps). The North Water Plant project is the first project within a Capital Improvement Project scope that spans a 25-year time frame. The North Water Plant project will include a series of water line loops (helps to better circulate water within distribution), 350,000 ground storage tank, High service pump facility (booster pumps), and water well. These aspects of construction will bring Richwood into compliance with TCEQ standards as well as increasing and stabilizing water pressure in portions of the City that are affected.

Other water system improvements over the next 25 years include but are not limited to:

1. Increased Elevation added to Richwood's current water towers (will increase static pressure distribution wide).
2. Additional distribution water line loops (serves to circulate water more effectively/eliminates distribution dead ends).
3. System facility upgrade at 966 Brazosport Blvd., Richwood's current ground storage and high service pump location (facility upgrade will replace motors and pumps in excess of 35 years old, and upgrade motors to accommodate higher system static pressures)
4. Additional ground storage capacity.

Plant Location

Wastewater Infrastructure

Sewer Line Replacement 1 –

Funded by a Community Development Block Grant (CDBG)

Estimated Project Duration – 5 months beginning December 1, 2019. Project was completed on 5/1/2020.

Location – Walnut Street and Cedar Street

Sewer Line Replacement 2 –

Funded by a Community Development Block Grant – Disaster Recovery (CDBG-DR)

Estimated Project Duration – One year beginning March 2020

Location – Briar Creek, Quail Run, and Cypress Court

A good portion of Richwood's wastewater collection line infrastructure is comprised of obsolete materials such as clay pipe and truss pipe. Sewer/collection line replacement is one of Richwood Public Works' top priority within the City of Richwood. Compromised old sewer lines are a source of inflow and infiltration (I&I). The process of I&I is when rainwater or stormwater runoff infiltrate sewer lines. This action causes loss or prolonged delivery of wastewater services (causes wastewater backups into bathtubs and can cause delays or prevent toilets from flushing during rain events).

The City of Richwood has a 75%/25% partnership with the City of Clute in the operations and maintenance of a wastewater treatment plant.

Clute = 75% ownership

Richwood = 25% ownership

Wastewater amounts that are processed by the wastewater treatment plant during rain events are profound. On a normal 24-hour operational period during dry conditions the wastewater treatment plant will process roughly 2.5-3.0 million gallons a day. During a one-inch rain event the process amounts double on average. At one point during Hurricane Harvey the wastewater treatment plant processed 26 million gallons in a 24-hour period.

Richwood produces between 380,00 gallons and 450,000 gallons of wastewater during a normal 24-hour operational period a. During a one-inch rainfall Public Works document wastewater flow rates at 900,000 gallons or more. On average Richwood will produce wastewater flows at the rate of 1,000,000 gallons per inch of rainfall the City experiences.

Historically, Richwood Public Works' only funding source to content with I&I has been CDBG grants. CDBG grant funding is issued to municipalities once every three years and on can be used in areas that qualify as 51% or greater of low to moderate income population. With the approval of the FY20 utility budget, City Council has allotted Public Works $60,000.00 yearly to address I&I issues.

These funds are used to account for proceeds of special Revenue sources other than assessments, expendable trust, or capital projects. The following funds all collect revenues that are restricted and can only be spent under specific guidelines. For each of these funds, a cash flow statement and a fund description are provided.

The City of Richwood has the following Special Revenue Funds:

- Crime Control & Prevention Fund
- Court Technology Fund
- Court Security Fund
- Beautification Fund

Crime Control & Prevention Fund – This fund contains revenues restricted to use by the Crime Control & Prevention District Board for the benefit of the Richwood Police Department. A .25% sales tax, approved by voters, is in place for all purchases made within Richwood. This sales tax revenue is restricted to this fund. The CCPD board is responsible for all decisions made as to the spending of this fund. An annual budget is prepared, which is approved by city council. It is then incorporated into the City Budget. The CCPD fund began FY20 with a balance of $147,547. Sales Tax revenues of $110,098 were projected for FY20.

By agreement with the city council, the employment cost for the Richwood city detective was paid by CCPD during FY20. That cost will be moved to the city budget within the police department beginning in FY21. In addition, 2 vehicles were re-equipped, and expenses were incurred for community outreach.

Total expenditures for FY20 are expected to be $130,000, which includes two new police vehicles. An ending fund balance will be approximately $135,200.

Crime Control & Prevention Fund (CCPD)	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Revenue Summary				
Sales Taxes	125,531	119,642	110,098	120,000
Interest	618	1,412	499	750
Total Revenue & Sources of Funds	**126,149**	**121,054**	**110,597**	**120,750**
Expenditure Summary				
Personnel Services	42,237	89,178	77,689	10,300
Supplies	0	0	5,687	10,000
Maintenance & Reparis	0	14,265	41,523	0
Miscellaneous	0	137	0	0
Capital Outlay	0	44,089	10,635	130,000
Total Expenditures	**42,237**	**147,669**	**135,534**	**150,300**
Revenues Over (Under) Expenditures:	**83,912**	**-26,615**	**-24,937**	**-29,550**

Court Technology Fee Fund - The State Legislature has allowed for the creation of a Court Technology Fund to defray the costs related to technology in the Court System. This fund accounts for the collection of technology fees ($4 per citation) charged to defendants for misdemeanor offenses as a cost of court. These funds will be used to purchase software, PC's, and any other technology items needed for the Court. Allowable expenditures in this fund include:

- Computer systems
- Computer networks
- Computer hardware
- Computer software
- Imaging systems
- Electronic kiosks
- Electronic ticket writers
- Docket Management systems
- Service and Maintenance agreements

The Court Technology fund began FY20 with a balance of $20,829, which was held within the General Fund. A separate fund was created, and the balance was transferred. Revenues for FY20 are $2,800, leaving the fund with an ending balance of $23,629. No expenditures were made during FY20.

Court Security Fund -

The Court Security Fund provides for the collection of court fees ($3 per citation) with each fine that is to be utilized for the security of the court. Expenditures are restricted to a purpose of providing security services for the court building:

- The purchase or repair of X-ray machines and conveying systems
- Handheld metal detectors
- Walkthrough metal detectors
- Identification cards and systems
- Electronic locking and surveillance equipment
- Bailiffs, deputy sheriffs, deputy constables or contract security personnel during times when they are providing security services
- Signage
- Confiscated weapon inventory and tracking system
- Locks, chains, or other security hardware
- Continuing education on security issues for court personnel and security personnel
- Any other item allowed for by state law.

The Court Security Fund began FY20 with a balance of $13,787, held within the General Fund. The separate fund was established during FY20, and this amount was transferred into the fund. Revenues of $2,800 were received in FY20. A new court computer system was purchased and installed at a cost of $10,200. This system has greatly enhanced the court records and receiving systems, increasing efficiency and reliability. The fund will end with a balance of $6,387.

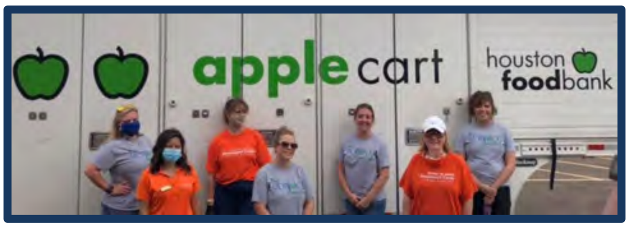
Beautification Fund (KRB) – The Beautification Fund was created to account for revenues and related expenditures of the Keep Richwood Beautiful committee. Revenue is primarily received from a voluntary $1 donation on utility bills. This revenue is restricted to use for the beautification of the City of Richwood. The Beautification Fund began FY20 with a $30,410 balance.

Revenues this year were just under $15,000 and expenditures have totaled approximately $25,000, leaving an expected ending fund balance of about $23,000.

New this year was the Richwood Community Garden. Volunteers have done so much to bring this vision to reality, and many have enjoyed the harvest! In addition, the committee is responsible selecting the recipients of the Yard of the Month, community outreach events and park projects.

Another first in 2020 was the presentation of the first KRB scholarship. Amanda Korsah, a recent graduate of Brazoswood High School received $500 for college expenses.

Keep Richwood Beautiful was recognized as a Gold Star Affiliate from Keep Texas Beautiful, a designation given to only 57 of its almost 300 affiliates. Congratulations to KRB!



As with many cities, FY21 may bring about some uncertain financial conditions. The unknowns of COVID-19 will impact all decisions made at the local, state, and federal levels.

To prepare for the unknowns, the City of Richwood has:

- reduced spending
- sought ways to improve upon revenue capturing
- structured our FY 21 budget on a very conservative basis
- reduced the size of the city staff
- delayed pay raises
- renegotiated contracts that were not beneficial to Richwood
- implemented cost-control measures to reduce negative exposure to the taxpayers.
- outsourced some of our external facing services
- updated some of our fees
- reduced or eliminated discretionary spending
- are stretching every available resource to maintain a balanced budget in these difficult times.

These measures will lead us to better processes and cost control measures that are more fiscally sound.

Some of our long-term issues are regional, as well as local in scope. Flooding is a paramount to many of the council members and the public. We are taking strides to:

- reduce inflow and infiltration into to our sewer system
- have conducted a water and wastewater master plan
- are completing a stormwater master plan which will help to guide our future projects to the most impactful resolutions
- are working through some grant funding that will allow us to work on some flood mitigation projects within the city.

We are also improving critical infrastructure using bond funds. We have allocated:

- 3,000,000 for street improvements
- 1,500,000 for drainage improvements
- 500,000 for sidewalks
- 4,000,000 for a water plant (North Water Plant) to maintain TCEQ compliance and ensure quality potable water for Richwood.

Many of these improvements are slated for completion in FY21, or at least a large majority of the work will be done in FY21.

Infrastructure and flooding will be a focus for many years to come. Our staff is working on plans to improve each of these, with the guidance and direction of the City Council.

Account A separate financial reporting unit for budgeting, management, or accounting purposes. All budgetary transactions, whether revenue or expenditure, are recorded in accounts. Several related accounts may be grouped together in a fund. A list of the accounts into which money can be put or taken is called the chart of accounts.

Accounting Standards The generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board that guide the recording and reporting of financial information by the state and local governments. The standards establish such guidelines as when transactions are recognized (accrual, modified accrual, or cash basis), the types and purposes of funds, and the content and organization of the annual financial report. At the federal level, accounting standards are developed by the Federal Accounting Standards Advisory Board.

Accrual Basis Refers to when a financial transaction is recorded. Accrual is a method of accounting in which revenues are recorded when measurable and earned, and expenses are recognized when a good or service is used. For example, *a professional fee is* an expense that recognizes the use of services form attorneys, engineers, etc. In the case of modified accrual accounting, expenditures are recognized when the goods or services are received and revenues, such as taxed, are recognizes when measurable and available to pay expenditures in the current accounting period. See ***Basis of Accounting***.

Accrued Interest In the sale of a new issue of municipal bonds, the dollar amount, based on the stated rate or rates of interest, which as accrued on the bonds from the dated date, or other stated date, up to but not to including the date of delivery. When a bond is purchased in the secondary market, the dollar amount, based upon the stated rate of interest, which has accrued on the bond form the most recent interest payment date, up to but not including the date of settlement. Accrued interest is paid to the seller by the purchaser and is usually calculated on a 360-day-year basis (assumes each month has 30 days). See ***Interest***.

Activity Departmental efforts that contribute toward the accomplishment of specific identified program objectives.

Additional Bonds Test Refers to legal test found in resolution or ordinance securing bonds; governs ability to issue additional bonds having the same lien on pledged revenues. Usually expressed as a ration in which historic earnings meet certain levels of future debt service coverage.

Ad Valorem Tax A direct tax based “according to value” of property. Counties and school districts and municipalities usually are, and special tax districts may be, authorized by law to levy ad valorem taxes on property other than intangible personal property. Local governmental bodies with taxing power may issue bonds or short-term certificates payable from ad valorem taxation. See ***Tax.*** Compare ***Excise Tax; Special Assessment.***

Agencies A colloquial term for securities issued by one of the federal agencies.

Allotment The gradual release of funds to departments or other units within government that prevents the premature depletion of their appropriation.

Amortization The process of paying the principal amount of an issue of bonds by the periodic payments either directly to bondholders or to a sinking fund for the benefit of bondholders. Payments are usually calculated to include interest in addition to a partial payment of the original principal amount. See ***Debt Service.***

Amortization Schedule A table showing the gradual repayment of an amount of indebtedness, such as a mortgage or bond, over a period of time.

Apportionment The release of funds on a quarterly or project basis by the budget office to prevent spending a year's allocation in the first or second quarter and then coming back for more money to finish out the year. Apportionment of budgets is more likely found at the state and federal levels.

Appropriation Legal authorization to make expenditures or enter into obligations for specific purposes. Appropriations are normally passed by the council every year. An appropriation may be approved for operating expenditures and another for capital items, or one appropriation may be passed for both types of expenditures.

Arbitrage Generally, transactions by which securities are bought and sold in different markets at the same time for the sake of profit arising from a difference in prices in the two markets. With respect to the issuance of municipal bonds, arbitrage usually refers to the difference between the interest paid on the bonds issued and the interest earned by investing the bond proceeds in other securities. Arbitrage profits are permitted on bond proceeds for various temporary periods after issuance of municipal bonds. Internal Revenue Service regulations govern arbitrage of municipal bond proceeds.

Assessed Valuation An annual determination of the just or fair market value of property by the county property appraiser for purposes of ad valorem taxation. If a tax on property is imposed by virtue of the value of its use, the assessed valuation is its classified use value.

Assessed Value The value of property for the purposes of levying property taxes. In some states the assessed value is the same as the market value less exemptions, while in others it is some fraction of market value.

Audit Report The report prepared by an auditor covering the audit or investigation of an entity's financial position for a given period of time. As a general rule, the report should include: (a) a statement of the scope of the audit; (b) explanatory comments concerning exceptions from generally accepted auditing standards; (c) explanatory comments concerning verification procedures; (e) financial statements and schedules; and (f) statistical tables, supplementary comments, and recommendations. The auditor's signature follows item (c) or (d).

Audited Statement Financial statement which has been examined by an auditor and upon which the auditor has expressed or disclaimed an opinion.

Auditing An examination, usually by a certified public accounting firm who is retained by council, which reports on the accuracy of the annual financial report prepared by the chief financial officer. In a financial and compliance audit, the auditor seeks to establish whether the financial report "fairly presents" what actually transpired during the accounting period. The audit also determines whether management complied with all applicable laws and policies in carrying out its fiduciary responsibilities.

Authority A unit or agency of government established to perform a specialized function, usually financed by service charges, fees, or tolls, although it may also have taxing powers. An authority may depend upon other units for its creation, funding, or operation.

Authorizing Resolution or Ordinance With respect to an issue of municipal bonds, the document adopted by the issuer which implements its power to issue the bonds. The actual granting of such power may be found in the enabling provisions of the constitution, statutes, charters, and ordinances applicable to the issuer. Adoption of an authorizing resolution or ordinance by the issuer's governing body is a condition precedent to validation of the proposed bonds.

Available Fund Balance Money remaining from prior years that is not committed for other purposes and can be allocated in the upcoming budget.

Average Life or Average Maturity The number of years equal to the total bond years divided by the total number of bonds (1 bond=$1,000 regardless of actual denomination). The average maturity reflects how rapidly the principal of an issue is expected to be paid and is important to underwriters in calculating bids for new issues of municipal securities.

Balanced Budget Current revenues equal current expenditures. The legal requirements for a balanced budget may be set by the state or local government.

Balloon Maturity A later maturity within an issue of bonds which contains a disproportionately large percentage of the principal amount of the original issue. Provision is often made for payment of the balloon maturity by making periodic payments to a sinking fund for the mandatory redemption of specified amounts prior to their stated maturity. See ***Term Bond.***

Balloon Payment A principal payment to satisfy a balloon maturity, which is much larger than prior or future principal payments.

BANs See ***Bond Anticipation Notes.***

Basis of Accounting See ***Accrual Basis.***

Basis Point One basis point is equal to 1/100 of one percent. If interest rates increase from 8.25% to 8.50%, the difference is referred to as a 25-basis point increase. Compare ***Point.***

Bearer Bond Bond which is presumed to be owned by the person who holds it. The Tax Equity and Fiscal Responsibility Act of 1982 requires the insurance of municipal bonds in fully registered form, with minor exceptions.

Benefits Received Principle Users or those who benefit from a service pay for at least a portion of the cost of providing that service. Examples of the benefits received principle include taxed on gasoline and other motor fuels that are earmarked for road improvements, or service charges for water and wastewater based on the amount of service used.

Bid 1. A proposal to purchase an issue of bonds offered for sale either in a competitive offering or on a negotiated basis, specifying the interest rate(s) for each maturity and the purchase price which is usually stated in terms of par, par plus a premium or par minus a discount. 2. A response to an inquiry about the cost and availability of goods to be purchased, usually one from several vendors that are evaluated competitively. Compare ***Award.***

Bidding Syndicate One or more firms of underwriters that act together to submit a proposal to underwrite a bond issue. See ***Manager; Syndicate; Underwriter.***

Biennium A budget that covers a two-year period. Typically, biennial budgets separate the amount of funding for each year in the biennium.

BIG See ***Bond Investors Guaranty Insurance Company.***

Blue Sky Laws Common term for state securities law, which vary from state to state. Generally, refers to provision related to prohibitions against fraud, dealer and broker regulations, and securities registration.

Bond A way of borrowing money long term for capital projects. A bond is a promise to repay money borrowed on a particular date often 10 or 20 years in the future. Most bonds also involve a promise to pay a specified dollar amount of interest at predetermined intervals.

Bond Anticipation Notes or **BANs** See ***Notes.***

Bond Approving Attorney or **Counsel** See ***Bond Counsel.***

Bond Attorney or **Bond Approving Attorney** See ***Bond Counsel.***

Bond Buyer, The A trade paper of the municipal bond industry published in New York City each business day, which contains advertisements for offerings of new issues of municipal bonds, notices of bond redemptions, statistical analyses of market activity, results of previous bond sales, and articles reacting to financial markets and public finance. A second edition, ***The Weekly Bond Buyer***, provides similar information on a weekly basis.

Bond Contract The legal agreement between the issuer and the debt holder, which defines the security and terms of the debt. Usually found in: (1) any substantive resolution, ordinance, or bond legislation authorizing the debt; (2) the trust indenture (if applicable); and (3) the form of the bond itself.

Bond Counsel or **Bond Approving Counsel** An attorney (or firm of attorneys) retained by the issuer to give a legal option that the issuer is authorized to issue proposed bonds, the issuer has met all legal requirements necessary for issuance, and interest in the proposed bonds will be exempt from federal income taxation and, where applicable, from state and local taxation. Typically, bond counsel may prepare, or review and advise the issuer regarding, authorizing resolutions or ordinances, trust indentures, official statements, validation proceedings and litigation. Compare ***Underwriter's Counsel.***

Bond Covenant An agreement that governs the use of the borrowed money when a governmental agency sells a bond. The covenant becomes a legally enforceable agreement with the bond holders.

Bond Election or **Bond Referendum** A process whereby the qualified voters of a governmental unit are given the opportunity to approve or disapprove a proposed issue of municipal securities. An election is most commonly required in connection with general obligation bonds. Requirements for voter approval may be imposed by constitution, statute, or local ordinance.

Bond Fiscal Year or **Bond Year** The twelve-month accounting period, as established by the bond contract, used in connection with an issue of municipal securities. Principal and interest payments are scheduled in accordance with the bond fiscal year. The bond fiscal year does not necessarily coincide with the issuing agency's own fiscal year and may be established in order to take full advantage of the scheduled cash flow of projected pledged revenues. See ***Fiscal Year.***

Bond Fund A portfolio of bonds administered by a manager, who offers shares in such fund to investors. Open-end bond funds offer shares continuously to the investing public, while closed-end bond funds contain a limited number of shares, and new investors must purchase shares from previous investors in such funds. Bond pools of these types are also known as "Managed Funds" because the manager, at his discretion, may buy and sell bonds for the portfolio. Compare ***Unit Investment Trust*** *(Municipal).*

Bondholder The owner of a municipal bond, to whom payments of principal and interest are made. The owner of a bearer bond is the person having possession of it, while the owner of a registered bond is the person whose name is noted on the bond register.

Bond Investors Guaranty Insurance Company (BIG) Recently formed company providing non-cancelable insurance contracts by which it agrees to pay a bondholder all, or any part, of a scheduled bond municipal and interest payment as it is due and payable, in the event the issuer is unable to pay.

Bond Ordinance A law approving the sale of government bonds that specifies how revenues may be spent. Such bond ordinances may add to the legal restraints on transfers.

Bond Proceeds The money paid to the issuer by the purchaser or underwriter for a new issue of municipal bonds, used to finance the project or purpose for which the bonds were issued and to pay certain costs of issuance, as may be provided in the bond contract.

Bond Purchase Agreement The contract between the underwriter and the issuer setting forth the final terms, prices, and conditions upon which the underwriter purchases a new issue of municipal bonds for reoffering to the investing public.

Bond Register The listing of the names and addresses of the current registered owners of the debt, as maintained by the trustee or bond registrar.

Bond Resolution or **Ordinance** The document or documents representing action of the issuer authorizing the issuance and sale of municipal bonds. Issuance of the bonds is usually approved in the authorizing resolution or ordinance, and the sale is usually authorized in a separate document known as the "sale" or "award" resolution. All of such resolutions, read together, constitute the bond resolution, which describes the nature of the obligation and the issuer's duties to the bondholders. State law or local ordinances may prescribe whether a bond issue may be authorized by resolution, or whether the more formal procedure of adopting an ordinance is required. See ***Authorizing Resolution.***

Bond Year See ***Bond Fiscal Year.***

Bond Years The product of the number of bonds (1 bond=$1000 regardless of actual denomination) and the period of time form the issuance to the stated maturity. It is used in calculating the average life of an issue and the net interest cost. Computations often include bond years for each maturity or for each interest rate, as well as total bond years for each interest rate, as well as total bond years for the entire issue. See ***Average Life*****.**

Bonded Debt The portion of an issuer's total indebtedness represented by outstanding bonds.

> ***Direct Debt*** or ***Gross Bonded Debt*** The sum of the total bonded debt and any unfunded debt (typically short-term notes) of the issuer. Direct debt may be incurred in the government's own name or assumed through the annexation of territory or consolidation with another governmental unit.
>
> ***Net Direct Debt*** or ***Net Bonded Debt*** Direct debt less sinking fund accumulations and all self-supporting debt.
>
> ***Net Overall Debt*** Net direct debt plus the issuer's applicable share of the direct debt of all overlapping jurisdictions.
>
> ***Overlapping Debt*** The issuer's proportionate share of the debt of other local governmental units which either overlap it (the issuer is located either wholly or partly within the geographic limits of the other units) or underlie it (the other units are located within the geographic limits of the issuer). The debt is generally apportioned based upon relative assessed value. See ***Debt Ratios.***

Book-Entry Clearance Centralized system for the holding and accounting of ownership of securities.

Book Value Refers to value of a held security as carried in the records of an investor. May differ from current market value of the security.

Broker A person or firm, other than a bank, which acts as an intermediary by purchasing and selling securities for others rather than for its own account.

Budget A plan for spending that balances revenues and expenditures over a fixed time period, usually a year, and that includes, at least by implication, a work plan. In actual practice the term budget has two connotations: the financial plan presented to the body for adoption; and the plan finally approved by that body. It is usually necessary to specify whether the budget under consideration is proposed or whether it has been approved by the appropriating body, although this may be clear from the context.

Budget Amendment The budget may be formally amended after it has been approved. Amendments may be required, for example, with the incorporation of a new labor contract or if revenues fall or grow beyond projections.

Budget Calendar A timetable with deadlines when particular tasks must be completed in order for council to approve the spending plan before the beginning of the next fiscal year.

Budget Cycle The budget cycle includes preparation of budget requests, legislative approval of the budget requests, budget implementation, and summary reporting on actual budget transactions.

Budget Guidelines Once revenue projections are in place, the chief executive, along with key policy makers, develops guidelines to provide a sense of the budget environment for the forthcoming year. Departments can then make appropriate budgetary requests based on this information.

Budget Manual A booklet prepared by the budget office that provides a description of the budget process and the forms departments need to prepare their budget requests. The manual will also contain the budget calendar.

Budget Reserves Money accumulated for future purposes in the case of unforeseen circumstances or for the replacement of buildings or equipment.

Building Improvement (reserves) Money accumulates for deferred maintenance, renovations, and repairs to government-owned facilities.

Call See ***Redemption.***

Callable Bond A bond which permits or requires the issuer to redeem the obligation before the stated maturity date at a specified price, usually at or above par by giving notice of redemption in a manner specified in the bond contract. See ***Call Price; Redemption Provisions.*** Compare ***Put Bonds.***

Call Features See ***Redemption Provisions.*** Compare ***Put Bonds.***

Call Price The price, as established in the bond contract, at which bonds will be redeemed, if called. Call price is generally at a premium and stated as a percentage of the principal amount called. See ***Callable Bonds; Redemption Provisions.***

Capital Appreciation Bond Long term-tax exempt security sold at a large discount. Yield is reinvested at a stated rate until maturity at which time the investor receives payment. Latter represents both principal and interest.

Capital Assets Things the city owns, such as buildings, land, roads, bridges, and water treatment plants that cost a considerable amount of money and that are intended to last a long time.

Capital Budget A spending plan for improvements to or acquisition of land, facilities, and infrastructure that balances revenues and expenditures, specifies the sources of revenues, and lists each project or acquisition. Normally a capital budget must be approved by the legislative body. The capital budget and accompanying appropriation ordinance may be included in a consolidated budget document that has a section devoted to capital expenditures and another to operating expenditures, or two separate documents may be prepared – one for the capital budget and capital improvement plan and another one for the operating budget.

Capital Improvement Plan (CIP) A list of projects for a period of time, usually five years, by department. It may or may not list anticipated revenues to pay for the projects, and is not appropriated like a budget, but may be adopted by the legislative body to indicate approval. A CIP does not grant permission to commit funds, but the first of the plan is normally designated as the capital budget for the forthcoming year. As each year's list of projects is approved and completed, another year of projects is added to the plan to maintain the five-year planning horizon.

Capital Outlay Spending on fixed assets usually above a certain minimum in cost, such as equipment that is intended to last more than a year or purchases above a minimum cutoff point in cost, such as $5,000.

Capital Projects Funds One or more governmental type of funds established to account for resources used for the acquisition of large capital improvements, other than those accounted for in proprietary or trust funds.

Capitalized Interest or **Funded Interest** A portion of the proceeds of a bond issue set aside, upon issuance of the bonds, to pay interest on the bonds for a specified period of time. Interest is commonly capitalized during the construction of a revenue-producing project.

Cash Basis A method of determining if a budget is balanced. Cash-on-hand can result in an inaccurate picture since payments for goods and services can be delayed to the next fiscal year. The cash basis of accounting is not in conformance with the accrual and modified accrual bases prescribed by the Governmental Accounting Standards Board. See ***Accrual Basis.***

Cash Flow A sufficient amount of cash on hand to cover disbursements or payments that are coming due. Part of the duties of the finance director is to ensure sufficient cash is on hand or available in short term investments to meet expected disbursements.

Certificate of Deposit A deposit with a financial institution for a specified period that earns a specified interest rate.

Certificate of Participation A security that gives the holder a right to a portion of periodic lease payments as part of a lease-purchase agreement.

Change Orders A change in the design or specifications of an already approved capital project that often creates a need for an increased expense.

Chart of Accounts A way of recording revenues and expenditures that includes all transactions and that fits the organizational structure. A chart of accounts assigns a unique number to each type of transaction (e.g. salaries or property taxes) and to each budgetary unit in the organization.

Closed Lien Term used to describe a revenue bond resolution's prohibition against the issuance of any additional parity bonds.

Closing The meeting of concerned parties on the date of delivery to sign bonds and requisite legal documents and to physically deliver the bonds in exchange for payment of the purchase price. The parties at closing usually include representatives of the issuer, bond counsel and the purchasers (underwriters). Sometimes a pre-closing meeting is held on the day before delivery to review the adequacy of the closing procedures and documents. See ***Delivery Date, Issuance; Settlement; Settlement Date.***

Commercial Paper (tax exempt) Short-term, unsecured promissory notes issued in either registered or bearer form, and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

Competitive Bid or **Competitive Bidding** A method of submitting proposals to purchase a new issue of bonds by which the bonds are awarded to the underwriting syndicate presenting the best bid according to stipulated criteria set forth in the notice of sale. Underwriting bonds in this manner is also referred to as a competitive or public sale. See ***Bid***. Compare ***Negotiated Sale***.

Comprehensive Annual Financial Report Usually called the CAFR; this report summarizes financial data for the previous fiscal year in a standardized format. An outside auditor often examines this document to judge if it represents fairly the financial condition of the city. The auditor's report is usually attached to the CAFR. The CAFR organizes information by fund and contains two basic types of statements: (1) a balance sheet that compares assets with liabilities and fund balance and (2) an operating statement that compares revenues with expenditures. A particular variation of the operating statement compares the budgeted amounts with the actual levels of revenues and expenditures.

Concentration Account A central account used to accumulate cash for investment purposes. Cash from the concentration account is transferred to other accounts as needed for disbursement.

Conditional Rating Moody's bond rating for which the security will depend upon the completion of some act or the fulfillment of some condition.

Conduit Financing Bonds issued by a governmental unit to finance a project to be used primarily by a third party, usually a corporation engaged in private enterprise. The security for such bonds is the credit of the private user rather than the governmental issuer. Generally, such bonds do not constitute obligations of the issuer because the corporate obligator is liable for generating the pledged revenues. Industrial revenue bonds are common examples of conduit financing.

Constant Services The cost of providing this year's level of services next year. Sometimes called a maintenance-of-effort budget, the constant services level is used as a baseline for budget calculations.

Contingency A budgeted account set aside to meet unforeseen circumstances.

Contingent Liabilities Liabilities or obligations which become the financial responsibility of another at a given date when certain conditions are not met. For example, the common requirement that a city meet debt service on special assessment bonds in the event insufficient assessments are collected would represent a city's general fund contingent liability.

Costs of Issuance The expenses associated with the sale of a new issue of municipal securities, including such items as underwriter's spread, printing, legal fees, and rating costs.

Covenant or **Bond Covenant** The issuer's enforceable promise to do or refrain from doing some act. With respect to municipal bonds, covenants are generally stated in the bond contract, resolution, or indenture. Covenants commonly made in connection with a bond issue include covenants to charge fees for use of the financed project sufficient to provide required pledged revenues (rate covenant); to maintain casualty insurance on the project; to complete, maintain and operate the project; not to sell or encumber the project; not to issue parity bonds unless certain earnings tests are met (additional bonds covenant); and not to take actions which would cause the bonds to be arbitrage bonds, i.e., violate IRS regulations concerning levels of permitted investment earnings. See ***Negative Covenants; Protective Covenants***

Coverage The ratio of pledged revenues available annually to pay debt service, as compared to the annual debt service equipment. This ratio is one indication of the margin of safety for payment of debt service.

Credit Enhancement The availability of additional outside support designed to improve an issuer's own credit standing. Examples include bank lines or credit or collateralized funds.

Credit Rating See ***Negative Credit Factors; Positive Credit Factors; Ratings.***

Current Assets Those assets than can be easily converted to cash within the current year.

Current Yield The ratio of the annual dollar amount of interest of the purchase of a bond, stated as a percentage. For example, a $1000 bond purchased at par with an 8% coupon pays $80 per year, or current yield of 8%. The same bond, if purchased at a discounted price of $800, would have a current yield of 10%. Compare ***Yield to Call; Yield to Maturity.***

CUSIP Numbers (Committee on Uniform Security Identification Procedures) Identification numbers assigned each maturity of a bond issue, and usually printed on the face of each individual bond in the issue. The CUSIP numbers are intended to facilitated identification and clearance of municipal securities.

Dated Date The date of a bond issue, printed on each bond, from which interest usually starts to accrue, even though the bonds may actually be delivered at some later date.

Debt Limit The maximum amount of debt which an issuer of municipal securities is permitted to incur under constitutional, statutory or charter provisions.

Debt Ratios Comparative statistics showing the relationship between the issuer's outstanding debt and such factors as its tax base, income, or population. Such ratios are often used in the process of determining credit quality of an issue, especially in the case of general obligation bonds. See ***Bonded Debt.***

Debt Service Annual payments of interest and principle that the city owes on money that it has borrowed.

Debt Service Funds One or more funds established to account for revenues and expenditures used to repay the principal and interest on debt.

Default (for debt service payment reserves, see reserves) Failure to make a debt payment on time.

Defeasance Termination of the rights and interests of the bondholders and extinguishment of their lien on the pledged revenues in accordance with the terms of the bond contract for the prior issue of the bonds. Defeasance usually occurs in connections with the refunding of an outstanding issue by the final payment, or provision for future payment, of principal and interest on a prior issue. See ***Advance Refunding; Refunding.***

Delivery Date Date on which the bonds are physically delivered in exchange for the payment of the purchase price. The date of issuance is the same date as the delivery date. See ***Closing; Issuance; Settlement Date.***

Demand Bond Long-term security which includes a feature whereby the bondholder may periodically put the security back to the issuer at a predetermined price. Also referred to as a tender option.

Denomination The face value or par value of a bond that the issuer promises to pay on the maturity date. Most municipal bonds are issued in the minimum denomination of $5,000, although a few issues are available in smaller denominations. Registered bonds may be issued in larger denominations.

Designated Fund Balance That portion of a fund's liquid net assets that is earmarked for contingencies or other possible uses yet are still available for appropriation. Unlike the reserved portion, the designated portion of the fund balance does not have a binding commitment for how the resources will be used. See ***Reserved Fund Balance*** and ***Undesignated Fund Balance.***

Deterministic, or Formula-Based (projection techniques) A technique for projecting revenues that relies on a simple mathematical formula to provide an estimate of expected revenues. For example, in the case of solid waste revenues it may be the monthly charge per household times the number of household accounts in the jurisdiction.

Direct Debt See ***Bonded Debt.***

Disbursement Payment for goods or services that have been delivered and invoiced.

Discount The amount by which par value exceeds the price paid for a security and which generally represents the difference between the nominal interest rate and the actual or effective return to the investor. See ***Original Issue Discount.*** Compare ***Premium.***

Discretionary Accounts Funds set aside in the budget that may be used in emergencies or other anticipated contingencies.

Double-Barreled Bond Traditionally, a bond secured by a defined source of revenue plus the full faith and credit of the issuer. The term is occasionally, although erroneously, used to refer to bonds secured by any two sources of pledged revenue.

Double Exemption See ***Tax-Exempt Bond.***

Downgrade The lowering of a bond rating by a rating service. A downgrade would be considered if the issuer encountered major financial difficulties or economic decline, which may be viewed by the rating service as reducing the credit quality of the bond. See ***Ratings.*** Compare ***Upgrade.***

Due Diligence The process of thorough investigation of a bond issue usually by the underwriter's counsel. Such inquiry is made to assure that all material facts are fully disclosed to potential investors and that there have been no material omissions or misstatements of fact. The issuer, the obligation of the bonds, and the true obligor in a conduit financing are investigated. Further inquiry may be required if the investigation reveals facts which are incomplete, suspect, or inconsistent, either on their face or in light of other facts known to counsel. Due Diligence with respect to municipal securities is not the same process as the more formal due diligence required with respect to corporate debt and equity services.

Earmarking Revenue from fees and licenses, taxes, or grants may be designated as to how it may be spent. Many state and federal grants are earmarked for particular types of projects.

Econometric or **Casual Modeling** These models assume that the yield from a particular revenue source, such as the general sales tax, is affected by a number of factors such as per capita income, inflation, and population change. A statistical model is then developed that weights the various predictors thought to affect sales tax yield, the dependent variable. Historical data are used to estimate the weights for each predictor.

Economies of Scale The ratio of units to fixed costs will result in lower costs per unit if the number of units increases because fixed costs are now divided among more units.

Effective Interest Rate The actual rate of interest earned by the investor on bonds purchased, after allowing for premiums, discounts, or accrued interest over the period of the investment.

Elasticity A comparison of the rate of change of two factors. Most often used to describe the rate of growth of an income source compared to the rate of growth of the economy. Sales taxes are more elastic than property taxes because they grow faster when the economy grows. Conversely, they decline more quickly when the economy contracts.

Encumbrances Budget authority that is set aside to pay for expenditures that have been committed either by the authorization of a purchase order or by a contract.

Enterprise Fund A separate fund that supports services primarily from fees. Examples are water, sewer, golf, and airport funds. Some local governments also treat as enterprises those funds that run like a business and charge fees, but do not cover all their costs; the remaining costs may be transferred out of the general or other funds or may come from grants or earmarked taxes. Enterprise fund agencies generate their own revenue through the sale of services. That revenue directly affects spending levels of that agency.

Enterprise Activity A revenue gathering project or business which supplies funds necessary to pay debt service on bonds issued to finance the facility. The debts of such projects are self-liquidating when the projects earn sufficient monies to cover all debt service and other requirements imposed under the bond contract. Common examples include water and sewer plants, electrical supply facilities, and private business projects financed with industrial development bonds.

Enterprises Government-owned services that operate on a fee-for-fee service rather than a tax-paid basis, such as utilities.

Entitlement A program that's funding is allocated according to eligibility criteria. All those eligible for funding, who meet certain criteria, receive the funds. Cities, for example, may be "entitled" to particular state or federal grants monies if they meet certain criteria, such as an unemployment rate higher than 6 percent for more than a year and more than 50 percent of housing older than 80 years.

Equipment Replacement (reserves) Money made available for purchasing operating equipment and vehicles as they become obsolete or unusable.

Escrow Account Fund set up to hold pledged money or securities used to pay debt service.

Escrowed to Maturity See ***Advance Refunding.***

Excise Tax An indirect tax levied upon the manufacture, sale or consumption of commodities or upon the license to pursue certain occupations or upon corporate privileges within a taxing jurisdiction. See ***Tax.*** Compare ***Ad Valorem Tax.***

Executive Budget A proposed budget put together by the chief executive or his or her designee for review and approval or modification by the legislative branch.

Executive Budget Hearings After an initial review by the central budget office, these hearings provide an opportunity for departments to explain to the chief executive and the budget staff their requests, how costs were estimated, what the perceived need is, and what community goals and objectives will be affected. They are treated as managerial staff meetings and as such normally are not open to the public.

Expiration Date Future date at which the demand feature of a security ends.

Extraordinary Optional Redemption See ***Redemption Provisions.***

Face Amount See ***Par Value.***

Feasibility Study A report of the financial practicality of a proposed project and financing thereof, which may include estimates of revenues that will be generated and a review of the physical, operating, economic, or engineering aspects of the proposed project.

Federal Funds Refers to immediately available funds representing non-interest-bearing bonds at Federal Reserve Banks. Frequently used to pay for new issues of municipal bonds.

FGIC See ***Financial Guaranty Insurance Company.***

Fiduciary Funds These funds account for resources that governments hold in trust for individuals or other governments.

Financial Advisor With respect to a new issue of municipal bonds, a consultant who advises the issuer on matters pertinent to the issue, such as structure, timing, marketing, fairness of pricing, terms, and bond ratings. Such consultant may be employed in a capacity unrelated to a new issue of municipal securities, such as advising on cash flow and investment matters. Municipal Securities Rulemaking Board rule G-23 provides that the financial advisor may: (1) negotiate and underwriting contract after certain disclosures, approval of the issuer, and termination of the financial advisor relationship; and (2) bid in a competitive underwriting if the issuer gives written consent before the financial advisor's bid is submitted.

Financial Guaranty Insurance Company A company offering non-cancelable insurance contracts by which it agrees to pay a bondholder all, or any part, of a scheduled bond principal and interest payment as it becomes due and payable, in the event the issuer is unable to pay.

Financial Report See ***Comprehensive Annual Financial Report.***

Fiscal Note A statement added to proposed mandating legislation estimating the real cost of the mandate to local governments. It is thought that forcing state policy makers to calculate the costs imposed on local governments might restrain lawmakers form initiating unfunded mandates.

Fiscal Policy The use of revenue, spending, and debt, especially by the federal government, to promote economic growth, reduce unemployment, and maintain stable prices. Fiscal policy has its origins in the macroeconomic theories of John Maynard Keynes, but in more recent years newer theories, such as supply-side economics, have altered the assumptions about how best to use the federal budget to accomplish the goals of fiscal policy.

Fiscal Year A designated 12-month period for budgeting and for record keeping purposes. All the financial transactions within that twelve-month period are presented together, to see if revenues cover expenditures.

Fixed assets The least liquid of assets such as land, buildings, equipment, and other improvements.

Float The value of checks written but that have not cleared the bank on which they are drawn. Local governments attempt to minimize float for checks received for payment of fees and taxes in order to maximize cash on hand that is available for investment.

Floating or **Variable Interest Rate** A method of determining the interest to be paid on a bond issue by reference to an index or according to a formula or other standard of measurement at intervals as stated in the bond contract. One common method is to calculate the interest rate as a percentage of the prime rate published by the remarketing agent to be necessary to allow all bonds to trade at par.

Flow of Funds The order and priority of handling, depositing, and disbursing pledged revenues, as set forth in the bond contract. Generally, the revenues are deposited, as received, into a general collection account or revenue fund for disbursement into the other accounts established by the bond contract. Such other accounts generally provide for payment of debt service, debt service reserve, operation and maintenance cost, redemption, renewal and replacement, and other requirements.

Formula-Based (projection techniques) See ***Deterministic Method.***

Frontloading The practice of providing higher coupon rates on the shorter maturities of a bond issue thereby requiring a higher percentage of the total interest cost sooner. Frontloading by an underwriter or syndicate is not detected by the net interest cost (NIC) method of calculating total interest cost. The true interest cost (TIC), sometimes called the Canadian interest cost, considers the time value of money and therefore values interest amounts paid in the earlier years of an issues life higher than that paid later.

Full Faith and Credit Bonds See ***General obligation bond.***

Full-Time Equivalent The number of hours per year that a full-time employee is expected to work. Two workers who each work half that number of hours together equal one full time equivalent. The hours of a number of part timers or temporary workers can be added up to see how many full time positions they are equivalent to.

Fully Registered A bond which has been registered as to both principal and interest according to the bond contract. Such bonds are payable only to the owner, or to the order of the owner, whose name is noted on records of the issuer. See ***Bond register; Registered Bond.*** Compare ***bearer bond.***

Fund A self-balancing set of accounts. Governmental budgeting and accounting is based on a series of funds, each with separate revenues, expenditures, and balances. Each fund is set up for a separate purpose and each fund balances its assets against liabilities and any residual becomes fund balance.

Fund Balance The difference between a fund's assets and its liabilities. Portions of the fund balance may be reserved for various purposes such as contingencies or encumbrances at the end of the fiscal year.

GAAP See ***Generally Accepted Accounting Principles***

GASB See ***Governmental Accounting Standards Board.***

General Fund The major fund in most governmental units. While other funds tend to be restricted to a single purpose, the general fund is a catch all, for general governmental purposes that are not broken out separately in a single purpose fund. Most basic functions, such as police, fire, and streets, are usually located in the general fund.

General Obligation (GO) Bond A particular kind of bond backed by the full faith and credit of the issuing entity in which the pledge of security to pay back the bond is the government's ability to raise taxes. This is very secure for the investors, and therefore helps lower borrowing costs. Ad valorem taxes necessary to pay debt service on GO bonds are typically not subject to the constitutional property tax millage limits. Such bonds constitute debts of the issuer and normally require approval by election prior to issuance. In the event of default, the holders of GO bonds have the right to compel a tax or legislative appropriation, by mandamus or injunction, in order to satisfy the issuer's obligation.

Generally Accepted Accounting Principles (GAAP) Uniform minimum standards for financial recording and reporting established by the accounting profession through such independent entities as the Governmental Accounting Standards Board.

GFOA See ***Government Finance Offers Association.***

Gilt-Edged A slang term, borrowed from the British market, used loosely to describe securities of the highest quality.

Good Faith Deposit A sum of money, usually in an amount from 1% to 5% of the par value of the bond issue, and generally in the form of a certified or cashier's check, which is enclosed with the bid in a competitive sale. The check is returned to the bidder if the bid is not accepted, but the check of the successful bidder is retained by the issuer and applied against the purchase price if the bonds are delivered. In the event the winning bidder fails to pay for the bonds on the delivery date, the check is usually retained by the issuer as full or partial liquidated damages.

Governmental Accounting Standards Board (GASB) The body that sets accounting standards specifically for governmental entities at the state and local level.

Governmental Bonds One of two categories of bonds established under the Tax Reform Act of 1986. Bonds issued by localities for the financing of traditional activities and which meet certain tests (related to private use and security).

Government Finance Officers Association Professional organization primarily of state and local government finance offers.

Grants A payment of money from one governmental unit to another or from a government to a not for profit. Grants are often earmarked for a specific purpose or program.

Gross Revenue Pledge Term used to describe a pledge of all revenues to the payment of debt service prior to their use for any other costs.

Home Rule A limited grant of discretion from state governments to local governments, concerning either the organization of functions or the raising of revenue. Without home rule, local governments are restricted to whatever functions, organization, and revenue sources are specified by the state government, and are bound by whatever limits in revenue or borrowing that state requires.

Housing Revenue Bond Bond secured by revenues derived from payments made from mortgages which financed single or multi-family housing units.

Impound The discretion of the chief executive to restrict spending during an economic slowdown when revenues fail to keep pace with what was budgeted.

Income Elastic A source of revenue that increases or decreases at a greater rate than growth or decline in the economy such as a general sales tax.

Incremental Budget Process Historical shares determine how funds will be allocated among departments and programs.

Indenture See ***Trust indenture.***

Independent Auditor An accounting firm or occasionally a state or local official not associated with the local government who reviews the annual financial report and compare it with a sample of financial transactions, in order to certify that the report represents accurately the fiscal condition of the governmental unit.

Industrial Development Bond (IDB) Also known as industrial revenue bonds, securities issued by a state, a local government, or development agency to finance the construction or purchase of industrial, commercial, or manufacturing facilities to be purchased by or leased to a private user.

Infrastructure Basic public investments such as streets, storm drainage, water and sewer lines, street lighting, and sidewalks.

Informed Judgment One of four types of techniques used to project revenues, professional or informed judgment is essential to preparing defensible estimates regardless of what other methodology is used. Professional judgment comes with experience and careful observation.

Interdepartmental Order (IDO) An internal order between departments and reimbursement for goods and services, usually initiated by the head of an agency.

Interest Compensation for the use of borrowed money, generally expressed as an annual percentage of the principal amount.

Interest Rate The annual percentage of principal payable for the use of borrowed money.

Interfund Borrowing Occurs because of a temporary shortfall in revenue for a fund offset by a surplus in another.

Interfund Transfers The movement of money from one fund to another in a governmental unit. An interfund transfer is normally governed by rules of what is and is not permissible, and usually has to be approved by the legislative body.

Interim Financial Reports Quarterly or monthly comparison of budgeted amounts with actual amounts of revenues and expenditures to date. These reports provide an important early warning to decision makers of impending overruns in expenditures or shortfalls in revenues.

Internal Rate of Return (IRR) A criterion used to calculate the desirability of capital projects. The rate of return from the project should be higher than the cost of capital to pay for the project.

Internal Service Accounts A system of rationing services that some departments provide to others, by giving the recipient departments budgets to buy service from the provider departments. Because it costs the recipient departments money, presumably they use less of these internally provided services, such as photocopying and printing, automobile repair, and computer services.

Internal Service Funds One or more funds that accounts for the goods and services provided by one department to another within government on a cost-reimbursement basis.

Invested Sinking Fund Fund established for the repayment of a term bond into which periodic required deposits are made and invested and then used to call or redeem the bond.

Investment Banker The designation of a firm or an individual member of a firm that underwrites new issues of municipal securities.

Investment Grade The broad credit designation given bonds which have a high probability of being paid. Such bonds have few, if any, speculative features and are rated at least **Baa** by Moody's Investors Service. Bank examiners require that most bonds held in bank portfolios be investment grade.

Investment Trust Funds A fund of this type is used to account for resources that are commingled by several governments and are held in trust by a sponsor, such as a county. A Countywide Investment Pool Fund may contain the cash investments of several cities and other local governments, which are commingled and then invested by the county.

Issuance Authorization, sale, and delivery of a new issue of municipal securities.

Issuer A state, political subdivision, agency, or authority that borrows money through the sale of bonds or notes.

Junior Lien Bonds Bonds which have a subordinate claim against pledged revenues. Compare ***Senior Lien bonds.***

Lease Rental Bond Bond usually issued by non-profit authority and secured by lease payments made by municipality leasing the project financed by bond proceeds. Source of lessee payments may vary from property taxes to General Fund resources to revenues of an enterprise.

Legal Opinion or **Legal Approving Opinion** The written conclusions of bond counsel that the issuance of municipal securities and the proceedings taken in connection wherewith comply with applicable laws, and that interest on the bonds will be exempt from federal income taxation and, where applicable, from state and local taxation. The legal opinion is generally printed on the bonds.

Legislative Budget The council or a committee of the governing board receives requests directly from departments and pares them back, with a minimal role for the executive branch.

Legislative Budget Hearings Local lawmakers usually hold formal hearings on the budget proposal. There are two different types of hearings. The first involves the staff presentation of the proposed budget to the council or commission by the manager in a series of work sessions where city or county legislature members may question the manager and department heads on spending recommendations. The second is a formal, courtroom-like public hearing on the on the proposed budget. The public hearing may be solely about proposed revenue increases, or it may be on the whole proposed budget, including proposed tax increases as well as expenditures. A formal transcription of the proceedings is recorded.

Letter of Credit or **LOC** An agreement, usually with a commercial bank, to honor demands for payment upon compliance with conditions established in the agreement. Bank letters of credit are sometimes used as additional sources of security for municipal bond and note issues. Letters of credit may also be used to provide liquidity for commercial paper and demand bonds.

Level Debt Service An arrangement of serial maturities in which the amount of principal maturing increased at approximately the same rate as the amount of interest declines, resulting in substantially equal annual debt service payments over the life of the bonds.

Limited Tax Bonds Bonds secured by the pledge of a specified tax or category of taxes limited as to rate or amount.

Line-Item Budget A format for budgeting in which departmental outlays are grouped according the items that will be purchased, one item or groups of items on each line of the budget. See ***Object of expenditure.***

Line-Item Veto A rejection by the executive of one item or groups of items in a line-item budget.

Liquidity Usually refers to the ability to convert assets (such as investments) into cash.

Lower Floater General term for a security with a variable interest rate and also having a tender feature.

Manager The leading member or members of an underwriting syndicate charged with primary responsibility for conducting the affairs of the syndicate. The manager generally takes the largest underwriting commitment.

> ***Lead Manager*** or ***Senior Manager*** A single underwriter serving as head of the syndicate. The lead manager generally handles negotiations in a negotiated underwriting of a new issue of municipal securities and directs the processes by which bids are calculated for a competitive underwriting. The lead manager generally signs contracts on behalf of the syndicate and is charged with allocating bonds among the members of the syndicate according to the terms of the syndicate account and orders received.
>
> ***Joint Manager*** or ***Co-Manager*** The terms may be used in two contexts. In a negotiated underwriting, the issuer may appoint multiple underwriters, each of which is referred to as a joint or co-manager. When a large syndicate is composed of several smaller syndicates which may operate as syndicates themselves, each such smaller syndicate will be represented by its manager in the consolidation of syndicates. Each group's representative is a joint manager of the consolidated syndicate. In either event, one of the joint managers is selected as lead manager.

Mandate A requirement form a higher level of government that a lower level of government perform some task or perform the task in a particular way or at a particular standard often without compensation from the higher form of government.

Mandatory Redemption Account A separate fund into which the issuer makes periodic deposits to purchase bonds in the open market or to pay the costs of calling bonds in accordance with the mandatory redemption schedule in the bond contract. Such an account is also known as a bond amortization fund.

Marginal Cost The additional cost of adding one more resident or consumer to those receiving a service. Once capacity is reached, the marginal cost increases substantially as additional service capacity must now be funded.

Mark to Market Valuing the inventory of held securities at its current market value, as opposed to book value.

Market Value Price at which a security can be traded in the current market.

Marketability The ease or difficulty with which bonds can be sold in the capital market. A bond's marketability depends upon such factors as its interest rate, security, maturity, timing of issuance, volume of comparable issues being sold, and credit quality as determined or affected by the lien status, tax or revenue base, and terms of the bond contract.

Master Resolution Legal document establishing the terms and conditions for an issuer's offering of parity bonds.

Maturity The date upon which the principal of municipal bond becomes due and payable to the bondholder.

MBIA Corp. See ***Municipal Bond Investors Assurance Corporation.***
Merit Goods An otherwise divisible and excludable service that has such widespread benefits to a community that government provides it free or at a subsidized price with the difference financed from general tax revenues. Education is an example of a merit good.

Mill An increment of taxation measured in units of one-tenth (0.1) of one cent or 0.001 of one dollar.

Millage Rate used in calculating taxes based upon the value of property, expressed in mills per dollar of property value.

Modified Accrual See ***Accrual Basis.***

Moral Obligation Bond Typically a state-agency-issued security secured by the revenues of the financed project which also has a non-binding promise by the superior level of government to use state funds to make up any deficiencies in a debt service reserve fund.

MSRB See ***Municipal Securities Rulemaking Board.***

Municipal Bond Investors Assurance Corporation (MBIA) A company offering non-cancelable insurance contracts by which it agrees to pay a bondholder all, or any part, of a scheduled bond principal and interest payment as it becomes due or payable, in the event the issuer is unable to pay.

Municipal Bonds or **Municipals** A general term referring to bonds of local governmental subdivisions such as cities, towns, villages, counties, and special districts as well as states and subdivisions thereof, which are exempt from federal income taxation. Also includes other tax-exempt debt done as conduit financings.

Municipal Securities Rulemaking Board (MSRB) An independent self-regulatory organization established by the Securities Acts Amendments of 1975, which is charged with primary rulemaking authority over dealers, dealer banks, and brokers in municipal securities. Its fifteen members represent three categories-securities firms, bank dealers, and the public-each category having equal representation on the board.

Negative Covenants Promises contained in a bond contract, whereby the issuer obligates itself to refrain from doing certain acts. One common example of a negative covenant is a promise not to sell or encumber the project. See ***Covenant.*** Compare ***Protective Covenant.***

Negative Credit Factors Those characteristics which could adversely affect the credit standing of an issuer, such as declining population, decreasing revenue sources, regulatory restrictions on operations of the issuer, poor debt ratios, and structural weaknesses of the issue, such as insufficient coverage requirements, weak additional bonds tests, and subordinate lien position.

Negotiated Sale The sale of a new issue of municipal securities by an issuer through an exclusive agreement with a previously selected underwriter or underwriting syndicate. A negotiated sale should be distinguished from a competitive sale, which requires public bidding by the underwriters. Primary points of negotiation for the issuer are the interest rate and purchase price, which reflect the issuer's costs of offering its securities in the market. The sale of a new issue of bonds in this manner is also known as a negotiated underwriting. Compare ***Competitive Bid.***
Net Assets In the proprietary and fiduciary funds this is the difference between assets and liabilities. It is analogous to fund balance in the governmental funds.

Net Interest Cost (NIC) A common method of computing the interest expense to the issuer of bonds, and which usually serves as the basis of award in a competitive sale. NIC allows for premium and discount and represents the dollar amount of interest payable over the life of an issue, without taking into account the time value of money. While net interest cost actually refers to the dollar amount of the issuer's interest cost, it is also used in reference to the average net interest cost rate, which reflects the overall rate of interest to be paid by the issuer over the life of the bonds. Compare ***True Interest Cost.***

Net Present Value A way of comparing benefit streams from investments, in order to properly consider the time value of money that comes in earlier rather than later. Given the mismatch between costs of undertaking a project and its future stream of benefits, net present value uses a discount rate to find the difference between these two streams. The greater the NPV of a project, the more economically attractive it will be.

Net Revenue The amount of money available after subtracting from gross revenues such costs and expenses as may be provided in a bond contract.

New Issue Bonds offered to investors for the first time.

No Litigation Certificate Document provided at the closing of a bond issue which certifies that there is no current litigation affecting the issuer's offering in any materially adverse way.

Nonreciprocal Interfund Activities A term established by GASBS 34 to classify transfers of money between funds or reimbursements from one fund to another.

Note A written, short-term promise of the issuer to repay a specified principal amount on a certain date, together with interest at a stated rate, or according to a formula for determining that rate, payable from a defined source of anticipated revenue. A variety of note types are used according to the anticipated revenue source: Bond Anticipation Notes (BANs), Construction Loan Notes (CLNs), Grant Anticipation Notes (GANs), Revenue Anticipation Notes (RANs), and Tax Anticipation Notes (TANs).

Notice for Tenders An invitation by the issuer of bonds, or its representative, for bondholders to offer the issuer's bonds at a predetermined price, or a price at which the bondholder is willing to sell to the issuer. The notice for tenders usually authorizes the issuer to reject tender offers in whole or in part. Compare ***Tender Offer.***

Notice of Redemption A publication of the issuer's intention to call outstanding bonds prior to their stated maturity dates, in accordance with the bond contract.

Notice of Sale A publication by an issuer describing an anticipated new offering of municipal bonds. It generally contains the date, time and place of sale, amount of issue, type of bond, amount of good faith deposit, basis of award, name of bond counsel, maturity schedule, method, time and place of delivery, and bid form.

Object of Expenditure A way of grouping and displaying in the budget the items to be purchased. Commodities would be a major classification; office supplies might be a minor classification. Same as line-item budgeting.
Obligations See ***Encumbrances.***

Off-Budget Activities Programs or funds that, by law, are not included in the budget and may be reported separately. See ***Unified Budget.***

Offering Circular A document generally prepared by the underwriters about an issue of securities expected to be offered in the primary market. The document discloses to the investor basic information regarding the securities to be offered and is used as an advertisement for the sale of municipal bonds. It may also be used by dealers when reoffering large blocks of previously issued securities in the secondary market.

Offering Price Price at which municipal bonds are offered by underwriters to individual investors.

Official Statement or **Final Official Statement (OS)** Document published by the issuer which generally discloses material information on a bond issue, including the purposes of the bond issue, how the bonds will be repaid, and the financial, economic, and demographic characteristics of the issuing government. Investors may use this information to evaluate the credit quality of the bonds.

Operating Budget The portion of a budget that deals with routinely recurring expenditures, such as salaries, electricity bills for city hall, postage, printing and duplicating, paper supplies, and gasoline for automobiles. The operating budget is in a sense the opposite of a capital budget, which includes one-time, or non-recurring costs for major expenditures of items or projects intended to last a long time. The operating and the capital budget, or a consolidated document may be prepared that has a section devoted to operating expenditures and another to capital.

Operating Deficit The amount by which this year's (or this budget period's) revenues are exceeded by this year's (or this budget period's) expenditures. An operating deficit does not take into account balances left over from prior years that may be used to pay off this year's shortfall.

Original Issue Discount An amount which represents the difference by which par value exceeds the public offering price of a new issue of municipal bonds. Original issue discount is amortized over the life of the bonds and is generally treated as tax-exempt interest. When the investor sells the bonds before maturity, any profit or loss realized on such a sale is figured on the adjusted cost basis for tax purposes. The adjusted cost basis is calculated for each year the bonds are outstanding by adding the accretion value to the original offering price. The accretion value is determined by the rules and regulations of the Internal Revenue Service. Selling bonds at a price in excess of the adjusted cost basis would result in a taxable gain for the seller, while a selling price below that level would be treated as a loss for income tax purposes.

Par Value In the case of the bonds, the amount of principal which must be paid at maturity. Par value is also referred to as the face amount of a security.

Parity Bonds (Pari Passu Bonds) Two or more issues of bonds which have the same priority of claim against pledges revenue or the issuer's full faith and credit pledge. With respect to the initial issue of bonds, called the "prior issue," the bond contract normally provides the requirements which must be satisfied before subsequent issues of bonds, called "additional parity bonds," may be issued. If the pledged revenues are insufficient to satisfy the total debt service requirements of the prior issue and the additional parity bonds, the available revenues are shared between the prior issue and the additional parity bonds in accordance with the terms of the bond contract.

Pay-As-You-Go Paying for capital projects out of current tax and grant revenues rather than issuing debt to pay for them.

Pay-As-You-Use Incurring debt to pay for capital outlays rather than paying out of current revenues.

Payback Period A way of evaluating and comparing capital project proposals. Given the rate of return for each project, how long will the project take to pay off the investment? A shorter payback period is more desirable.

Paying Agent The entity responsible for the payment of interest and principal on municipal bonds of behalf of the issuer. The paying agent is usually a bank or trust company but may be the treasurer or some other officer of the issuer. The paying agent may also provide other services for the issuer, such as reconciliation of the bonds and coupons, indemnification of the issuer for wrongful payment, and registration of the bonds.

Payment Date The date on which interest or principal and interest are payable on a municipal bond. Fixed rate bond payment dates are usually semiannual, while lower floaters often pay interest monthly.

Payments in Lieu of Taxes (PILOTS) One method used to decide how much money is appropriate to transfer from enterprises into a government's general fund using the argument that such payments are in exchange for taxes that would have been paid if the service had been provided by a privately owned firm.

Pension Funds A category of fiduciary funds used to safeguard the assets of an employee retirement program.

Per Capita Debt The amount of an issuer's debt divided by population, which is used as an indication of the issuer's credit position by reference to the proportionate debt borne per resident.

Performance Budget This budget format includes information on performance goals, objectives and measures for workload, efficiency, and effectiveness for each governmental program. Ideally, allocations are linked to these performance measures, but in many cases the linkage is loose or nonexistent. As long as there are performance measures in the budget, it is called a performance budget.

Performance Indicators Measures of the achievement of stated program goals and objectives. Percent of property reported stolen that is recovered by the police department could be one measure of police department performance.

Permanent Funds A category of governmental funds, established by GASBS 34, used to report on funds whose outflow is legally restricted to the earnings, not principal, from the fund for purposes that benefit the government or its citizens.

Planning, Programming, Budgeting System (PBBS) A budget reform that links budgeting with planning and evaluation on a program by program basis. Rather than allocating funds along departmental lines, PPBS organizes budget information around and allocates funds to programs, which are activities with a common goal. PPBS, or program budgeting, sought to introduce more formal economic analysis into budget deliberations by requiring that the benefits and costs of each program be determined and that funds be allocated to those programs providing the greatest net benefits. Very few governments use PPBS today, but emphasis on performance and on outcomes has brought back some of the elements of PPBS.

Pledged Revenues The funds obligated for payment of debt service and other deposits required by the bond contract.

Gross Pledge The encumbrance or obligation of all pledged revenues for debt service prior to deductions for any costs or expenses, as provided in the bond contract.
Net Pledge The pledge of funds for payment of debt service only after certain other costs and expenses are paid, as provided in the bond contract.

Point One percent of par value. Because bond prices are quoted at a percentage of $1,000, a point is worth $10 regardless of the actual denomination of a bond. Compare ***Basis point.***

Positive Credit Factors Those characteristics which may provide strength to the credit of an issuer such as increasing tax base, diversification of industry in the region, favorable debt ratios, sound financial operations and reporting; and structural strengths of an issue, such as strong additional bonds and coverage tests, rate covenants and superior lien status.

Preliminary Official Statement or **Red Herring (POS)** A preliminary version of the official statement which is used by the issuer or underwriters to describe the proposed issue of municipal bonds prior to the determination of an interest rate and offering price. The preliminary official statement is a marketing tool used to gauge buyer's interest in the issue and is relied upon by potential purchasers in making their investment decisions. Normally, no offer for or acceptance of bonds can occur on the basis of the POS, and a statement to that effect appears on the face of the document in red print, which gives the document its nickname. Although the POS is technically a draft, it must be substantially in the same form as the final official statement, and underwriters are reluctant to permit any substantial changes between the preliminary and final official statements.

Premium The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor. Compare ***Discount.***

Premium Call Price The price over par value, expressed as a percentage of par, which the issuer agrees to pay upon redemption of its outstanding bonds prior to the stated maturity date as provided in the bond contract.

Present Value Interest Cost See ***True Interest cost.***

Primary Market The market for new issues of municipal securities. Compare ***Secondary Market.***

Principal The face amount or par value of a bond or issue of bonds payable on stated dates of maturity.

Prior Lien Bonds See ***Senior Lien Bonds.***

Private Activity Bonds One of two categories of bonds established under the Tax Reform Act of 1986. Depending on meeting certain tests, such bonds can be issued as tax-exempt, generally subject to state volume caps.

Private Goods Goods and services that can be divided into units and sold; those who do not pay for them can be prevented from benefiting from them. Ice cream would be a private good, because it can be divided into scoops and sold, and those who do not buy an ice cream cone can be prevented from enjoying one.

Private Placement With respect to municipal securities, the term may be used in reference to negotiated sales directly to institutional or private investors rather than through a public offering.

Private Purpose Trust Fund A category of fiduciary funds used to safeguard resources held in trust by government on behalf of individuals, private organizations, or other governments.

Productivity The ratio of cost per unit of goods or services produced to quality. Productivity increases when the cost per unit goes down when quality remains constant or increases.

Professional Guess See ***Informed Judgment.***

Program Budget See ***Planning, Programming, Budgeting System.***

Project Notes Short-term tax-exempt securities issued under a program of the United States Department of Housing and Urban Development to fund local housing and urban renewal projects. Project notes are secured by revenues from those projects and are guaranteed by the United States Government.

Protective Covenants Agreements in a bond contract which imposes duties upon the issuer, in order to protect the interests of bondholders. Typical protective covenants relate to such items as maintenance of adequate rates, segregation of funds, proper project maintenance, insurance, books, records and tests for the issuance of additional parity bonds.

Public Finance Refers to the financing, either on tax-exempt or taxable basis, by municipalities for various capital and/or operating needs.

Public Goods Goods and services that are difficult to divide and sell in a marketplace, particularly because it is difficult to prevent those who do not pay from enjoying the benefits. When the police capture a felon, presumably the entire community benefits, not just the immediate victims and their relatives. Police services have often been considered a public good, though some police type activities can be treated as private goods, such as guard duty. A private guard may protect some buildings or families and not others. See ***Private Goods.***

Public Hearings Open meetings regarding proposed budget allocations—either operating or capital—that provide citizens an opportunity to voice their views on the merits of proposals.

Public Securities Association (PSA) A national trade organization of dealers and dealer banks that underwrite, trade, and sell municipal, United States Government, and federal agency securities. The PSA monitors legislation concerning the public securities industry and assists its members in developing expertise in the underwriting and sale of public securities.

Purchase Contract An agreement between the issuer and underwriter outlining the final terms, conditions, and prices for the sale of new securities.

Purchase Orders An agreement drawn up to buy goods and services from a specific vendor with a promise to pay when delivered.

Put Bonds or **Tender Option Bonds** Obligations which grant the bondholder the right to require the issuer or a specified third party to purchase the bonds, usually at par, either periodically, at a certain time prior to maturity or upon the occurrence of specified events or conditions. Exercise of a put option may involve a penalty paid by the bond holder.

Qualified Legal Opinion A conditional affirmation of the legality of the bonds, before or after they are sold. An unqualified or clean legal opinion, on the other hand, is an unconditional affirmation of the legality of bonds. See ***Legal Opinion.***

Ratings Evaluations of the credit quality of notes and bonds usually made by independent rating services, although many financial institutions also rate bonds for their own purposes. Ratings generally measure the probability of the timely repayment of principal and interest on the bonds. Ratings are initially made before issuance and are continuously reviewed and may be amended to reflect changes in the issuer's credit position. The information required by the ratings agencies varies with each bond issue, but generally includes demographics, debt burden, economic base, finances, and management structure. The information is evaluated, and the issue is assigned a letter rating which reflects the creditworthiness of the bonds. The higher the credit rating, the more favorable the effect on the marketability of the bond.

Rainy Day Funds Revenue stabilization reserves that provide resources when revenues decline due to a recession, loss of a major taxpayer, or other event that temporarily results in a loss of tax revenues.

Reciprocal Interfund Activities A term established by GASBS 34 to classify interfund loans and reimbursable services. See ***Nonreciprocal Interfund Activities.***

Red Book A publication by the *Bond Buyer* which lists municipal dealers, municipal finance consultants and bond attorneys in the United States. Although the book, which is published twice yearly, is actually titled "Directory of Municipal Bond Dealers of the United States," it is commonly referred to as the Red Book due to the color of its cover.

Red Herring See ***Preliminary Official Statement.***

Redemption A transaction in which the issuer of a bond pays an outstanding obligation at a specified price, usually at or above par prior to the specified maturity date, or "calls the bonds," by giving notice in the manner prescribed in the bond contract. Redemptions may be either mandatory or optional.

Redemption Provision or **Call Features** The terms of the bond contract giving the issuer the right or requiring the issuer to redeem or call all or a portion of an outstanding issue of bonds prior to the stated dates of maturity at a specified price, usually at or above par. Common types of redemption provisions include:

> ***Optional Redemption*** The issuer is required to call outstanding bonds based on a predetermined schedule or as otherwise provided in the bond contract. Frequently, the issuer is allowed to make open market purchases in lieu of calling the bonds.
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> ***Extraordinary Optional Redemption*** The issuer has the right to call or redeem an issue of bonds upon the occurrence of certain events, as opposed to redemption at any time during the period specified by the bond's terms. For example, the right to extraordinary optional redemption of an issue of bonds may be exercised when mortgages are prepaid in connection with a housing bond issue; when excess bond proceeds exist after completion of a project; or when the facility has been substantially destroyed during construction due to an accident. The latter situation is also known as a "calamity call" or "catastrophe call."
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> ***Extraordinary Mandatory Redemption*** Usually derived from insurance proceeds or condemnation awards for destruction or seizure of property, or from unspent bond proceeds to prevent bonds from becoming arbitrage bonds.

Refunding A procedure whereby a bond issuer refinances an outstanding bond issue by issuing new bonds. There are generally two major reasons for refunding: to reduce the issuer's interest costs or to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced. The proceeds of the new bonds are either deposited in escrow to pay the debt service on the outstanding obligations, when due, or they are used immediately to retire the outstanding obligations. The new obligations are referred to as the "refunding bonds," and the outstanding obligations being refinanced are referred to as the "refunded bonds" or the "prior issue." If the prior issue is not to be redeemed until a later date, the proceeds of the refunding bonds are used to purchase other obligations which are deposited into the escrow, and which mature in sufficient amounts and at appropriate times to provide funds to pay the interest and principal of the prior issue when due. The latter procedure is called advance refunding. For accounting purposes, refunded and defeased obligations are not considered a part of the issuer's debt because the lien of the holders of the refunded bonds is on the escrowed funds, not on the originally pledged source of revenues. See ***Advanced Refunding.***

Registered Bond A bond listed with the registrar as to ownership, which cannot be sold or exchanged without a change of registration. The Tax Equity and Fiscal Responsibility Act of 1982 requires that all municipal securities with maturities in excess of one year be issued in fully registered form. Existing bearer bonds with attached coupons may provide for registration as to principal and interest in several ways, the most common being the exchange of said bond for a registered bond which has no coupons; the interest payments are then paid directly to the owner. Registration affords protection against payment being made to unauthorized holders of such bonds, as the owner's name is actually placed on the bond itself.

Registrar The person or entity responsible for maintaining records on behalf of the issuer for the purpose of noting the owners of registered bonds. The paying agent frequently performs this function.

Regressive A tax that is relatively more burdensome on lower income households.

Relative Price Effect Inflation of public sector expenditures increases at a faster rate than in the private sector due to the more labor-intensive nature of government.

Renewal and Replacement Fund Account usually established under a bond resolution where funds are deposited to cover costs for major capital items. Typically, such an account follows the operating cost and debt service accounts in the flow of funds.

Repurchase Agreement (REPO) An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer, and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a REPO is that which the dealer pays the investor for the use of his funds. Reverse purchase agreements are the mirror image of REPOs when the bank or dealer purchases securities form the investor under an agreement to sell them back to the investor.

Required Supplemental Information A section of the CAFR, required by GASBS 34 that presents a comparison of the adopted budget, the budget as amended, and the actual revenue and expenditure figures (budgetary basis).

Rescission An executive branch decision to withhold authorization to spend. A rescission is a reduction in the approved budget during the current year.

Reserve Fund The fund which may be used to pay debt service if the sources of the pledged revenues do not generate sufficient funds to satisfy the debt service requirements. The reserve fund is either funded in whole or in part from the proceeds of the bonds or is allowed to accumulate gradually over a period of years through required payments from the pledged revenues. If the reserve fund is used in whole or in part to pay debt service, the issuer usually is required to replenish the reserve fund from the first available funds or revenues. A typical reserve requirement might be the maximum aggregate annual debt service requirement for any year remaining until the bonds reach maturity. The size and investment of the reserve may be subject to arbitrage regulations.

Reserved Fund Balance That portion of a fund's fund balance that is not available for appropriation because they have been legally committed to some future use. See ***Designated Fund Balance*** and ***Undesignated Fund Balance.***

Reserves for Debt Service An account usually for revenue bonds used to provide funds in the event revenues are insufficient to repay the principal and interest on debt that is coming due in the current year.

Retirement of Debt The payment of principal and interest due to the bondholders.

Revenue Anticipation Notes (RAN) See ***Note.***

Revenue Bond A particular kind of bond in which the revenue to pay back the bond and interest comes from the project that the borrowed money was used to create, expand, or improve. Pledged revenues may be derived from operation of the financed project, grants, and excise or other specified non-ad valorem taxes. Generally, no election is required prior to issuance or validation of such obligations.

Rollover When borrowing is paid off with new borrowing, rather than from revenues. Rolling over is especially problematic when borrowing is backed by specific taxes due. Officials may need to explain what happened to the revenues that were supposed to be used to service the original debt.

Salary Savings The reduced expenditures for salaries that result whenever positions remain unfilled for part of a year due to personnel changes. The use of salary savings is a matter that should be clarified in an operating budget policy. Some governments' budget salaries net of salary savings; others allow departments to retain any salary savings; still others allow the budget office to capture salary savings for reallocation during the year to other departments or programs.

SEC See ***Securities and Exchange Commission.***

Secondary Market Market for bonds previously offered and sold. Compare ***Primary Market.***

Securities and Exchange Commission or **SEC** The federal agency responsible for supervising and regulating the securities industry. Generally, municipal securities are exempt from the SEC's registration and reporting requirements. However, the SEC has responsibility for the approval of Municipal Securities Rule Making Board rules, and has jurisdiction, pursuant to SEC Rule 19b-5, over fraud in the sale of municipal securities.

Securities Industry Association or **SIA** An organization representing the interests of investment banking and securities brokerage firms. The SIA monitors legislation concerning the securities industry and assists its members in developing expertise in the underwriting and sale of securities.

Security Generally, evidence of debt or equity in a common enterprise in which a person invests in the expectation of earning income. The term includes notes, stocks, bonds, debentures, mortgages, and other forms of negotiable and non-negotiable evidences of indebtedness or ownership. Unless exempted, as are municipal bonds, securities transactions are subject to federal and state regulations.

Security for the Bonds or **Security** The specific revenue sources or assets of an issuer which are pledged for payment of debt service on a series of bonds, as well as the covenants or other legal provisions protecting the bondholders.

Self-Supporting or **Self-Liquidating Debt** Debt which is to be repaid from proceeds derived exclusively from the enterprise activity for which the debt was issued.

Senior Lien Bonds Bonds having a prior claim on pledged revenues. Compare ***Junior Lien Bonds; Parity Lien Bonds.***

Serial Bonds Bonds of an issue in which some bonds mature in each year over a period of years. Compare ***Term Bonds.***

Serial Issue An issue of bonds having maturities scheduled over several years, thereby allowing the issuer to amortize principal over a period of years. Maturity schedules for serial bonds often provide for level debt service or level principal payments. Compare ***Term Issue.***

Special Revenue Funds A type of fund used to account for revenues legally earmarked for a particular purpose. For example, a hotel/motel occupancy tax may be earmarked for tourism and convention development. A Hotel/Motel Tax fund would then account for the revenues and expenditures associated with such purposes.

Settlement Delivery of and payment for a new issue of municipal bonds. Settlement usually occurs within 30 days after the bonds are awarded to the underwriters, which allows for printing of the bonds and completion of certain legal matters. With regard to the purchase of a bond in the secondary market, settlement occurs upon payment for the bond, usually five business days after purchase. See ***Delivery Date.***

Settlement Date The date used in price and interest computations, usually the date of delivery. See ***Delivery Date; Settlement.***

Several Obligation Refers to a party's responsibility solely for its own liabilities.

Sinking Fund An amount sometimes called a debt service fund, into which the issuer makes periodic deposits to assure the timely availability of sufficient monies for the payment of debt service requirements. The revenues to be deposited into the sinking fund and payments there from are determined by the terms of the bond contract.

SLUGS An acronym used for State and Local Government Series. SLUGS are special United States Government securities sold by the Secretary of the Treasury to the states, municipalities and other local government bodies through individual subscription agreements. The interest rates of SLUGS are arranged to comply with arbitrage restrictions imposed under section 103 of the Internal Revenue Code. SLUGS are most commonly used for deposit in escrow in connection with the issuance of refunding bonds. See ***Advanced Refunding; Refunding.***

Special Assessment Charges against property in a particular locality because that property receives a special benefit by virtue of some public improvement, separate and apart from the general benefit to the public at large. Special assessments must be apportioned according to the value of the benefit received, rather than the cost of the improvement, and may not exceed the value of such benefit. When the value of the benefit exceeds the cost of improvement, however, the special assessment may not exceed the cost of the improvement.

Special Assessment Bonds Obligations payable form special assessment revenues. See ***Special Assessment.*** Compare ***General Obligation Bond; Limited Tax Bonds; Unlimited Tax Bonds.***

Special Districts Single or limited purpose units of government formed under state enabling legislation to meet certain local needs not satisfied by existing general-purpose governments in a given geographical area. Special districts may be granting taxing powers. An independent special district is on whose governing body is an independent entity and whose budget is established independently of the local governing authority. See ***Authority.***

Special Obligation Bonds That portion of all full cash refunding bond issue which is secured by the interest earnings on United States Government securities purchased with the proceeds of the refunding bonds. See ***Advanced Refunding.***

Spread or **Gross Spread** or **Gross Underwriting Spread** The income earned by the underwriting syndicate as a result of differences in the price paid to the issuer for a new issue of municipal bonds, and the prices at which the bonds are sold to the investing public, usually expressed in points or fractions thereof. Spread generally has four components:

1. ***Expenses*** The costs of operating the syndicate for which the lead manager may be reimbursed.

2. ***Management Fee*** Usually paid to the lead manager for providing advisory services to the issuer and for handling the affairs of the syndicate.

3. ***Takedown*** The largest component of the spread, similar to a commission, which represents income derived from the sale of bonds. If bonds are sold by a member of the syndicate, the seller is entitled to full takedown; if sold by a dealer not a member of the

4. ***Risk or Residual*** The amount paid to each underwriter within a syndicate on a pro rata basis according to the number of bonds each firm has committed to sell without regard to the actual sales made by each member.

Standby Bond Purchase Agreement A legal agreement with a commercial bank or trust company whereby the bank agrees to purchase demand bonds which the remarketing agent was unable to remarket to other parties and chose not to purchase for itself. Also referred to as credit agreement. A standby bond purchase agreement may also perform a credit, as opposed to liquidity, function in some circumstances. As such, it may be a letter of credit under a different name. See ***Letter of Credit.***

Statement of Activities A statement that presents the cost of providing government services by function. For both governmental and business activities, program revenues are reported and then expenses netted to provide a summary of the amount of tax subsidy required for each activity.

Statement of Net Assets A general purpose financial statement established by GASBS 34 that reports the overall financial position of the government by listing major categories of assets and liabilities and reporting their difference as net assets.

Strip Call Redemption of municipal bonds by calling a portion of each outstanding maturity or selected maturities as provided in the bond contract. A strip call may be proportional, by redeeming in each maturity the proportion which the maturity bears to the total amount of principal outstanding, or it may be a level debt service reduction, whereby, an amount is redeemed in each maturity so that total debt service remains constant. See ***Redemption Provision.***

Structuring an Issue The process of formulating a bond issue within the issuer's legal and financial constraints so the bonds are acceptable in the market place. In structuring a new issue of municipal securities, the issuer must determine such factors as maturities, the method of repayment, redemption provisions, and application of the bond process, security, and covenants.

Stub Period Financial or **Stub Period Audit** Unaudited financial a statement covering the interim period since the governmental entity's most recent audited financial statement. Compare ***Audited Statement.***

Student Loan Marketing Association or **SLMA** or **Sallie Mae** A private, for-profit corporation formed under the Guaranteed Student Loan Program to provide liquidity for insured student loans. The corporation is empowered to issue common and preferred voting stock, and may warehouse, service, sell, and otherwise deal, in student loans.

Surplus Fund Account established under bond resolution where all funds remaining after specified uses are deposited.

Syndicate A group of underwriters formed to purchase collectively (underwrite) a new bond issue form the issuer and offer it for resale to the general public. The syndicate is organized for the purposes of sharing the risks of underwriting the issue and for obtaining sufficient capital to purchase an issue. One of the underwriting firms will be designated as the syndicate manager to administer the operations of the syndicate. There are two major types of syndication agreements:

5. ***Divided*** or ***Western Account*** An underwriter agreement in which each member of an underwriting syndicate is liable only for its allocation of the bond issue, and not for any unsold portion of the issue allocated to the other underwriters.

Undivided or ***Eastern Account*** An underwriting agreement in which each member of the underwriting syndicate is liable for any unsold portion of the issue according to each member's percentage participation in the syndicate.

Sunset Review A periodic review generally near the end of its funding cycle that gives lawmakers the opportunity to redirect the purpose of an agency and its funding level.

Take or Pay Contract A sales agreement which requires the purchaser to pay the seller whether or not goods or services are available and, if available, whether or not the purchaser uses them. This type of requirement is generally used in electric power sales contracts which stipulate that payment will be made by the purchasers to the electricity wholesaler whether or not conditioned upon the performance of the wholesaler, the completion or operation of the power project or the use of the goods or services.

Take Out A permanent loan commitment. The proceeds of the permanent loan are used to pay or "take out" the interim construction loan.

Target-Based Budgets A process of putting a budget together that begins by asking for constant services estimates from the departments, and then gives each department a target for a budget request that is either over or under that constant services level. The department's budget request must be within the target. Requests that come in under the target will be funded automatically. If the target is low, some items may be squeezed out of a department's budget; those items and any new items the departments want can be placed on an unfunded request form. Unfunded requests are rank ordered and funding in order until money runs out.

Tax or Taxes Compulsory charges levied by a government unit for the purpose of raising revenue. Taxes should be distinguished from special assessments, which are levied according to the actual benefits derived, and from fees which must bear a reasonable relation to the costs of administration or regulation and are imposed under the police power. Tax revenues are used to pay for services or improvements provided for the general public benefit. See ***Ad Valorem Tax; Excise Tax.*** Compare ***Special Assessment.***

Tax Allocation Bonds See ***Tax Increment Bonds.***

Tax Anticipation Notes or **TAN's** See ***Notes.***

Tax Base The total property and resources or transactions (as in sales) available for taxation.

Tax Expenditures Abatements, partial or full exemptions, tax credits, deductions, or other foregone tax revenues.

Taxable Equivalent or **Taxable Yield Equivalent** The interest rate which must be paid on a taxable bond to earn the bondholder the same return as that earned on a tax-exempt bond. Because interest earned on municipal bonds is not subject to federal income taxation, a taxable bond must yield an amount sufficient to make up for the tax liability incurred by the bondholder. The taxable yield equivalent to the bondholder's marginal tax bracket.

Tax-Exempt Bond Bonds whose interest is exempt from federal income taxations pursuant to Section 103 of the Internal Revenue Code and may or may not be exempt from state income or personal property taxation in the jurisdiction where issued. If the bond is exempt from state income tax, it possesses "double exemption" status. "Triple Exemption bonds are exempt from municipal income tax, as well as federal and state income tax.

Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 Major federal tax legislation, which resulted in substantially lower tax rates for individuals and made other changes to the Internal Revenue Code and federal statutes.

Tax Increment Bonds Bonds secured by the incremental property tax revenues generated from a redevelopment project area. As usually structured, a project area is designated, its property tax base frozen, and revenue from the incremental growth of the property base used to provide additional funds for further development or for debt service on bonds issued for redevelopment purposes.
Tax Rate The amount of tax stated in terms of a unit of the tax base; for example, 10 mill per dollar of assessed valuation of taxable property.

Tax Rate Limit The maximum rate or millage of tax which a local government may levy. This limit may apply to taxes raised for a particular purpose or for all purposes; to a single government, or class of governments, or to all governments operating in a particular area. See ***Ad Valorem Tax; Mill; Millage; Tax Rate.***

Tax Reform Act of 1986 Legislation enacted which among other major changes to federal tax provisions greatly affects ability of localities to issue tax-exempt securities.

Tax Roll The official list showing the amount of taxes levied against each taxpayer or parcel of property, prepared, and authenticated in proper form to warrant the collecting officers to proceed with the enforcement of the tax.

TEFRA See ***Tax Equity and Fiscal Responsibility.***

Tender Offer A proposal by the bondholder to sell his bond to the issuer or its representative for a stated price. Tender offers are usually made in response to a notice for tenders by the issuer. Compare ***Notice for Tenders.***

Tender Option Bonds See ***Put Bonds.***

Term Bonds Bonds coming due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity or for payment at maturity. See ***Balloon Maturity.*** Compare ***Serial Bonds.***

Term Issue An issue of municipal securities that has a single stated maturity. Compare ***Serial Issue***.

TIC See ***True Interest Cost***.

Time Series Analysis One of four techniques for projecting revenues that involves looking for trends from prior years' data. Several years figures may be averaged together to even out the highs and lows.

Total Overall Debt See ***Bonded Debt***.

Transfers Funds moved from one account to another or between funds.

Treasury Securities Debt obligations of the United States Government sold by the Treasury Department in the form of bills, notes, and bonds.

Bills Short-term obligations of which mature in one year or less and are sold at a discount in lieu of paying periodic interest.

Notes Interest bearing obligations which mature between one year and ten years.

Bonds Interest bearing long-term obligations which generally mature in ten years or more.

True Interest Cost (TIC) Also known as "Canadian Interest Cost." Under this method of computing the borrower's costs, interest cost is defined as the rate, compounded semiannually, necessary to discount the amounts payable on the respective principal and interest maturity dates to the purchase price received for bonds. TIC computations produce a figure slightly different from the NIC method since TIC considers the time value of money while NIC does not. Compare ***Net Interest Cost***.

Trust Funds A fund set up to receive money that the city holds on behalf of other governments (taxes collected for another government) or persons (employee retirement proceeds). The governmental unit is holding money that does not belong to it, and over which it exercises minimal if any discretion. Examples include pension funds, which the city collects, holds, and invests, and disburses according to the rules of the pension fund.

Trustee A financial Institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Trust Indenture A contract between the issuer of municipal securities and a trustee, for the benefit of the bondholders. The trustee administers the funds or property specified in the indenture in a fiduciary capacity on behalf of the bond contract, establishes the rights, duties, responsibilities and remedies of the issuer and trustee and determines the exact nature of the security for the bonds.

Underwrite or **Underwriting** The process of purchasing all or any part of a new issue of municipal securities from the issuer and offering said securities for sale to investors. See ***Syndicate; Underwriter***.

Underwriter A dealer which purchases a new issue of municipal securities for resale. The underwriter may acquire the bonds either by negotiation with the issuer or by award on the basis of competitive bidding.

Underwriter's Counsel An attorney or law firm retained to represent the interests of the counsel may include review of the issuer's bond resolution or ordinance and documentation on behalf of the underwriter; review of the official statement to determine adequacy of disclosure; negotiation of the agreement among underwriters; and preparation of the due diligence opinion. See ***Due Diligence***. Compare ***Bond Counsel***.

Underwriting Syndicate See **Syndicate**.

Undesignated Fund Balance That portion of a fund's fund balance that is available for appropriation. See ***Designated Fund Balance*** and ***Reserved Fund Balance***.

Unforeseen Contingencies Funding for unanticipated expenditures of a non-recurring nature that protects the government from issuing short debt to cover these needs.

Unified Budget A budget that consolidates all revenues and expenditures for all funds. At the federal level, any activities or funds not included in the budget are classified as off-budget programs. The purpose of a unified budget is to accurately report the full amount of expenditures (and revenues) by a government for the budget period.

Unit Investment Trust (Municipal) A fixed portfolio of municipal bonds sold to investors in fractional, undivided interests, usually in denominations of $1000. The same bonds are held in the portfolio until they mature or are redeemed. Compare ***Bond Fund***.

Unlimited Tax Bonds Bonds secured by a pledge of taxes that are not limited in rate or amount.

Upgrade The raising of a bond rating by a rating service due to the improved credit quality of the bond issue. The term also refers to the replacing of a bond in a municipal bond portfolio with one of a higher quality. See ***Ratings***. Compare ***Downgrade***.

Validation A procedure whereby the legality of proposed bonds may be determined in advance of their issuance.

Variable Interest Rate See ***Floating Interest Rate.***

Visible Supply The total dollar volume of bonds to be offered over the next 30 days. The visible supply, which is compiled and published in the Bond Buyer, indicates the near-term activity in the municipal market and may be a determining factor in establishing an offering date.

Warrant Security generally short-term in nature issued by a municipality and used in the payment of bills.

Yield Curve A graph which plots the yields on securities with equivalent quality but different maturities, at a given point in time. The vertical axis represents the interest rates, while the horizontal axis depicts the years to maturity. Compare ***Current Yield***; ***Yield to Maturity***.

Yield to Call The rate of return to the investors is bonds are redeemed prior to their stated maturity date. Municipal Securities Rulemaking Board rules require that the yield to call must be stated if it is lower than the yield to maturity. Compare ***Current Yield***; ***Yield to Maturity***.

Yield to Maturity The rate of return to the investor earned from payments of principal interest, with interest compounded semiannually and assuming that interest paid is reinvested at the same rate. Yield to maturity takes into account the time value of the investment. Compare ***Current Yield***; ***Yield to Call***.

Zero Based Budgets A budget process that requires the departments to divide up their spending into decision packages and rank order them. Departmental rank orderings are then merged across the whole governmental unit, to form one rank ordered list. Funding goes down the list until the money runs out. Low priority items are not funded.

Zero Coupon Bond A bond which pays no interest, but is issued at a deep discount from par, appreciating to its full value at maturity. See ***Original Issue Discount***.

Financial Management Policies
Effective date: July 13, 2020
Approval: _______________
Eric Foerster, City Manager

The intent of these Financial Policies is to enable the City of Richwood, Texas to achieve a long term, stable and positive financial condition while conducting its operations consistent with the Council-Manager form of government as established by the City Charter. The more specific purpose of the Financial Policies and Administrative Procedures is to provide guidelines for the financial management staff in planning and directing the City's day-to-day financial affairs and in developing recommendations to the City Manager and to the City Council.

The scope of these policies spans:

- Operating Budget Management
- Accounting and Financial Reporting
- Revenue Management
- Expenditure Control
- Financial Position and Fund Balances
- Cash Management and Internal Controls
- Debt Management
- Capital Assets Policy
- Internal Control

These are designed to help the City by:

- Presenting fairly and with full disclosure the financial position and results of financial operations of the City in conformity to GAAP, and
- Determining and demonstrating compliance with finance-related legal and contractual issues in accordance with provisions of the Texas Local Government Code, the City Charter and other pertinent legal documents and mandates.

General Implementation and Compliance Guidelines

Oversight Responsibility. An oversight committee should be designated to perform the function of:

- Fiscal Policy Review
- Auditor Selection Recommendation
- Investment Policy Review and Guidance
- Annual Review

Based upon the results and recommendations of the Committee review, the Council will annually approve the fiscal policies.

Implementation and Compliance. The Director of Finance will be accountable for implementing these policies and will to the best of her or his knowledge make the City Manager and the City Council aware of any variances in practice from these policies or any other deviation from prudent financial practices in accordance to GAAP, the City Charter, the Texas Local Government Code and other state laws or ethics of the profession.

1. Operating Budget Management

1.1 Overview

Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. The City's operating budget is the City's annual financial operating plan.

1.2 Preparation

The Budget Director, in conjunction with the Finance Director, shall prepare expanded budget preparation and management procedures as part of the Finance Department Standard Operating Procedures Manual. These procedures shall be within the guidelines as provided in the policies stated below and shall be reviewed on an annual basis and updated, as necessary.

The budget shall include the six basic segments for review and evaluation listed below:

1. Salaries and Benefit costs
2. Professional Services and Supplies
3. Maintenance and Repair
4. Capital purchases and supplemental projects/programs
5. Debt
6. Projected Revenues

A combined budget summary shall be included with schedule interfund transfers. Fund balances will be identified as restricted, unrestricted, designated and/or undesignated.

1.3 Duties of City Manager - Budget Execution and Financial Management

The budget is prepared by the Finance Director with the cooperation of all City departments and is submitted to the City Manager who makes necessary changes and transmits the documents to the City Council. The budget should be presented to the City Council on or before the first day of the eleventh month of the fiscal year.

In accordance with the City Charter:

The City Manager shall submit to the Council a budget for the ensuing fiscal year and an accompanying message.

The City Manager's budget message shall include:

1. An outline of the proposed financial programs for the next fiscal year with explanations of any changes from previous years in expenditures and major changes of policy and a complete statement regarding the financial condition of the City.
2. An estimate of all revenue from taxes and other sources, including the present tax structure rates and property evaluations for the ensuing year.
3. A carefully itemized list of proposed expenditures by fund, department, and category of expenditure (salaries and benefits, services and supplies, maintenance and repairs, capital outlay, debt, and miscellaneous) for the budget year, as compared to actual expenditures of the last ended fiscal year, and an estimate of final expenditures for the current fiscal year.
4. A description of all outstanding bond indebtedness, showing amount date of issue, rate of interest and maturity date, as well as any other indebtedness which the City has incurred, and which remains outstanding.
5. A projection of revenues and expenditures together with a list of capital projects that should be considered within the next five years.

1.4 Includes All Operating Funds

The City's budget will include all operating funds of the City including, but not limited to, the General Fund, Utility Fund, and Debt Service Funds and Capital Project Funds.

1.5 Amendments to Budget Formally Approved by the Council

In accordance with Section 9.16 of the City Charter:

Under conditions which may arise and which could not reasonably have been foreseen in the normal process of planning the budget, the Council may, by a majority vote of the full elected membership, 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 an attachment to the original budget.

1.6 Budget Due Date

In accordance with Section 9.02 of the City Charter:

On or before the first day of the eleventh month of the fiscal year, the City Manager shall submit to the Council a budget of ensuing fiscal year and an accompanying message.

1.7 Balanced Budget

The operating budget will be balanced with current revenues inclusive of beginning resources, greater than or equal to current expenditures/expenses.

1.8 Periodic Monitoring of Budget Performance

Periodic financial reports will be prepared to enable the department managers to manage their budgets and to enable the Director of Administrative Services to monitor and control the budget as authorized by the City Manager.

Accounting and Financial Reporting

2.1 Financial Practices and Reporting

The City strives to present fairly and with full disclosure the financial position operations of the City. The City's financial reporting shall conform to Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and Government Finance Officers Association (GFOA).

2.2 Certificate of Achievement

The Comprehensive Annual Financial Reports (CAFR) will be presented to the Government Finance Officers Association (GFOA) for evaluation and consideration for the Certificate of Achievement for Excellence in Financial Reporting. It is the goal of the City to receive this award annually.

2.3 Timely Interim Financial Reports

On a monthly basis, the financial director shall prepare a written summary of the City's financial affairs and submit it to the City Manager. Each such report shall accurately reflect the City's revenue and expenditure/expense performance as well as any additional information that reflects the City's fiscal policies.

2.4 Independent Audit

The Council shall provide for an independent annual audit of all City accounts and other evidences of the financial transactions of the City. The Council may provide for more frequent audits as it deems necessary.

2.5 Qualifications of the Auditor

Audits shall be made by a Certified Public Accountant (CPA) or firm of such accountants who have no personal interest, direct or indirect, in the fiscal affairs of the City or of any of its officers. The auditor must demonstrate that it has competent staff to conduct the City's audit in accordance with generally accepted auditing standards and contractual requirements. The auditor must be registered as a partnership or corporation of certified public accountants, holding a license under Article 41a-1, Section 9, of the Civil Statutes of Texas, capable of demonstrating that it has sufficient staff which will enable it to conduct the City's audit in accordance with generally accepted auditing standards as required by the City Charter and applicable state and federal laws.

2.6 Auditor Timing

The Auditor's report on the City's financial statements will be completed within 120 days of the City's fiscal year end.

2.7 Auditor Rotation and Evaluation

The City will not require an auditor rotation, however, at least every three to five year period, the Council may circulate requests for proposal for auditor services.

2.8 Management Letter

The auditor will prepare and will jointly review the Management Letter with the City Council within thirty days of its receipt by the staff. Within days of this joint review, the Director of Administrative Services 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.

2.9 Timely Accounts Payable Processing

The City will follow the Texas Prompt Payment Act for timely accounts payable processing and will strive to uphold by those rules and regulations.

2.10 Timely CAFR Submittal

The CAFR shall be prepared in accordance with GAAP. The CAFR shall be presented to the Council within 120 calendar days of the City's fiscal year end. If City staffing limitations preclude such timely reporting, the Director of Administrative Services will inform the City Council of the delay and reasons, therefore.

Revenue Management

3.1 Simplicity

The City, where possible and without sacrificing accuracy, will strive to keep the revenue system simple in order to reduce compliance costs and to make it more understandable to the taxpayer or service recipient. The City will avoid nuisance taxes, fees or charges as revenue sources.

3.2 Certainty

A knowledge and understanding of revenue sources increases the reliability of the revenue system. The City will understand its revenue sources and enact consistent collection policies to provide assurances that the revenue base will materialize according to budgets and plans.

3.3 Equity

The City shall make every effort to maintain equity in its revenue system structure. The City shall seek to minimize or eliminate all forms of subsidization between entities, funds, services, utilities and customers. The City shall require that there be a balance in the revenue system. The revenue base will have the characteristic of fairness and neutrality as it applies to cost of service, willingness to pay and ability to pay.

3.4 Diversification and Stability

In order to protect from fluctuations in a revenue source due to fluctuations in the economy and variations in weather, a diversified revenue system will be maintained which has a stable source of income.

3.5 Non-Recurring Revenues

One-time or non-recurring revenues will not be used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes.

3.6 Property Tax Revenues

All real and business personal property located within the City shall be valued at 100% of the fair market value for any given year based on the current appraisal supplied to the City by the Kaufman County Appraisal District. A 99% collection rate shall serve each year as a goal for tax collections. All delinquent taxes shall be aggressively pursued each year. Tax accounts delinquent greater than 150 days shall be turned over to the Delinquent Tax Attorney as provided in the agreement between the Brazoria County Tax Assessor/Collector and the City. A penalty shall be assessed to compensate the attorney as allowed by State law, and in accordance with the attorney's contract.

3.7 Interest Income

Interest earned from the investment of the City's idle cash balances, whether pooled or not, will be distributed to the funds in accordance with the operating and capital budgets, which, wherever possible, will be in accordance with the equity balance of the fund from which monies were provided to be invested.

3.8 Utility Rates

The city will review and adopt utility rates in a manner consistent with legal guidelines for such rates that will generate revenues required to fully cover operating expenditures, meet the legal restrictions of all applicable bond covenants, and provide for an adequate level of working capital needs. This policy does not preclude drawing down cash balances to finance current operations. However, it is considered best that any extra cash balances be used instead to finance capital projects. Components of Utility Rates will include debt and transfers to the General Fund for an administrative fee, which will be charged to the Utility Fund for services of general overhead, such as administration, finance, personnel, data processing and legal counsel. This fee will be documented each year as a part of the annual budgetary process.

3.9 Revenue Monitoring

Revenues actually received will be regularly compared to budgeted revenues and variances will be investigated. This process will be summarized in the appropriate budget report.

Expenditure Control

4.1 Appropriations

The level of budgetary control is the fund level in all funds. When budget transfers between funds are necessary, these must be approved by the Council. Unused appropriation by be transferred to any item required for the same general purpose.

4.2 Purchasing

The Finance Director shall develop, in conjunction with the City Manager, purchasing procedures. These procedures shall be a part of the Standard Operating Procedures maintained by the Finance Department. These policies will address compliance with all applicable State bid law requirements.

A copy of this policy shall be distributed to all Department Directors, who will be responsible for monitoring compliance within their department.

The City Council may approve an ordinance giving the City Manager general authority to contract for expenditures without further approval of the Council, for all budgeted items not exceeding limits set by the Council. All contracts for expenditures involving more than the set limits must be expressly approved in advance by the Council. All contracts or purchases involving more than the limits set by the Council shall be let to the lowest bidder whose submittal is among those responsive to the competitive bidding as provided by law or ordinance. The City Council, or City Manager in such cases as he is authorized to contract for the City, shall have the right to reject any and all bids.

4.4 Prompt Payments

All invoices approved for payment by the proper City authorities shall be paid by the Finance Department within thirty (30) calendar days of receipt in accordance with the provisions of Article 601F, Section 2 of the State of Texas Civil Statutes.

4.5 Reporting

Monthly reports will be prepared showing actual expenditures compared to budgeted expenditures. Any deficits within the year will be adjusted.

4.6 Risk Management

The City will aggressively pursue every opportunity to provide for the public's and City employee's safety and to manage its risks. The goal shall be to minimize the risk of loss of resources through liability claims with an emphasis of safety programs. All reasonable options will be investigated to finance risks. Such options may include risk transfer, insurance and risk retention. Where risk is retained, reserves will be established based upon actuarial determinations and not be used for purposes other than for financing losses.

4.7 Contingency Account Expenditures

In accordance with Section 7.08 Contingent Appropriation:

Provisions shall be made in the annual budget and the appropriation ordinance for a contingent appropriation in an amount not more than ten percent (10%) of the total general fund expenditures, to be used in case of unforeseen items of expenditures. The contingent appropriation shall apply to current operating expenses and shall not include any reserve funds of the City. Such contingent appropriation shall be under the control of the City Manager and distributed by him only after prior approval by the City Manager. The proceeds of the contingent appropriation shall be disbursed only by transfer to other departmental appropriation, the spending of which shall be charged to the department or activities for which the appropriations are made.

Financial Position and Fund Balances

5.1 Overview

Enterprise funds are used to account for operations that are financial and operated in a manner similar to private business enterprises where the intent of the City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City Council has decided that periodic determination of net income is appropriate for accountability purposes. The City uses only one enterprise fund - the Utility Fund.

5.2 General Fund

The general fund reserve balance shall be established over a period of time through use of conservative forecasting and budgeting of revenue sources and efficient management and control of expenditures. The general fund is the primary fund of the City. This fund is used to account for all financial resources not accounted for in other funds.

5.3 Debt Service Fund

The City's debt service fund, sometimes called a "sinking fund," accounts for the accumulation of financial resources for the payment of principal and interest of the City's general obligation (property tax supported) debt, including lease purchases not finance by proprietary funds.

5.4 Utility Fund

This fund is used to account for water and wastewater system services provided for residents of the City, including administration, operations maintenance, debt service and billing and collecting.

Internal Controls

6.1 Written Procedures

The Finance Director is responsible for developing city wide written guidelines for accounting, cash handling and other financial matters, which will be approved by the City Manager. The Finance Department will assist department directors as needed in tailoring these guidelines into detailed written procedures to fit each department's requirements.

6.2 Departmental Internal Control Responsibility

Each department director is responsible to the City Manager to ensure that good internal controls are followed throughout his or her department and that all guidelines on accounting and internal control recommendations are addressed.

6.3 Staff Training

The City will support the continuing education efforts of all financial staff including the investment in time and materials for maintaining a current perspective concerning financial issues. Staff will be held accountable for communicating, teaching and sharing with other staff members all information and training materials acquired from seminars, conferences and related education efforts.

6.4 Adequacy of Staff

Staffing levels will be adequate for the fiscal functions of the City to function effectively. Overtime shall be used only to address temporary or seasonal demands that require excessive hours. Workload shedding alternatives will be explored before adding staff.

6.5 Centralized Cash Collections Points

The City will establish central locations in order to collect cash.

6.6 Projection of Cash Needs

The Finance Director will work closely with the Director of Public Works to project cash requirements in conjunction with the issuance of bonds and investment of bond proceeds.

6.7 Investments Management

The underlying theme will be that idle cash will be invested with the intent to: 1) safeguard assets, 2) maintain liquidity and 3) maximize return. Where legally permitted, pooling of investments will be done.

The City Manager and Finance Director or designee shall promptly invest all City funds with the City's Depository Bank in accordance with the provisions of the current Depository agreement or in any negotiable instrument that the Council has authorized under the provisions of the Public Funds Investment Act of 1987, and in accordance with the City Council approved investment policy.

6.8 Cash Management

The City's cash flow will be managed to maximize the cash available to invest. Such cash management will entail the centralization of cash collections, where feasible, including property tax payments, utility bills, building and related permits and licenses, and other collection offices as appropriate.

The Finance Department personnel shall, on payments authorized by the Council, use the facsimile check signing software, bearing signatures of the City Manager and the City Assistant City Manager, and/or City Secretary.

The Finance Department may transfer funds, via electronic transfer, through instructions to the City's Depository bank only for payment of properly authorized obligations of the City. Electronic payments shall be made in accordance with the conditions and control procedures as set forth in the current Depository contract and in the Finance Department Standard Operating Procedures.

6.9 Quarterly Financial and Investment Reports

Within 30 days of the end of each quarter, a report on investment performance will be provided to the Council. This report shall be prepared in the manner set forth in the Investment policy adopted by the City Council.

6.10 Safeguarding of Cash and Other Liquid Assets

These assets will be reasonably safeguarded and properly accounted for, and prudently insured. Responsibility for the safeguarding of the City's fixed assets lies with the head of the department in which the fixed asset is assigned. The Finance Department shall supervise the process of affixing numbered property tags and shall maintain the permanent records of the City's fixed assets. These records shall include description, cost, and department of responsibility, date of acquisition, depreciation and expected useful life.

The Finance Department shall also perform an annual inventory of assets using an appropriate sampling method. Such inventory shall be performed by the Finance Director or her or his designated agent in the presence of designated department personnel from the department of responsibility.

6.11 Periodic Reviews of Control Procedures

The City shall conduct periodic reviews of control procedures.

Debt Management

7.1 Annual Five Year Debt Capacity Analysis

The City will complete, annually, a five (5) year debt capacity analysis. In accordance with recommendations made by the Government Finance Officers Association (GFOA), this debt capacity analysis should include:

Statutory or constitutional limitations affecting the amount that can be used, such as:

- Legally authorized debt limits, and
- Tax or expenditure ceilings
- Other legal limitations, such as coverage requirements or additional bond test imposed by bond covenants.

Measures of the tax and revenue base, such as:

- Projections of key, relevant economic variables,
- Population trends,
- Utilization trends for services underlying revenues, and
- Factors affecting tax collections, assessment practices and collection rates

Debt service obligations, such as

- Existing debt service requirements, and
- Debt service as a percentage of expenditures, or tax or system revenues

Measures of debt burden on the community, such as:

- Debt per capita,
- Debt as a percentage of personal income,
- Debt as a percentage of full or equalized assessed property value, and
- Overlapping or underlying debt

Tax-exempt market factors affecting interest costs, such as:

- Interest rates,
- Market receptivity,
- Credit rating

7.2 Rating Agency Presentations

Full disclosure of operations and open lines of communication shall be made to the rating agencies. City staff, with the assistance of financial advisors, shall prepare the necessary materials and presentation to the rating agencies.

7.3 Bond Counsel and Financial Advisor

The staff will maintain open lines of communication with the City's Bond Counsel, along with the Financial Advisor, in order to periodically assess the City's use of debt as an appropriate method of financing and the financing options available to the City.

7.4 Long Term Debt Schedules

The Finance Department shall maintain up to date schedules of long-term debt schedules, which include payment dates, payment amounts split between principal and interest and paying agent(s) for the issue.

7.5 Debt Policy

The City's Debt Policy will strive to be in compliance with the recommendations as set forth by GFOA.

- The purposes for which debt may be issued.
- Legal debts limitations or limitations established by policy, including limitations on the pledge of the issuer's general credit.
- Use of moral obligations pledges.
- Type of debt permitted to be issued and criteria for issuance of:
  - ⇒ Short term and long-term debt
  - ⇒ General obligation and revenue debt
  - ⇒ Fixed and variable rate debt
  - ⇒ Lease backed debt
  - ⇒ Special obligation and revenue debt
  - ⇒ Conduit issues
  - ⇒ Taxable debt
- Structural features that may be considered, such as:
  - ⇒ Maturity of the debt
  - ⇒ Setting the maturities of the debt equal or less than the useful life of the project
  - ⇒ Use of zero-coupon bonds, capital appreciation bonds, deep discount bonds or premium bonds
  - ⇒ Redemption provisions
  - ⇒ Use of credit enhancement
  - ⇒ Use of senior lien and junior lien obligations
  - ⇒ Use of derivative products
- Credit objectives, such as:
  - ⇒ Maintenance of specific credit ratings
  - ⇒ Adherence to benchmark direct and overall debt ratios and other affordability targets
- Method of selecting outside finance professionals
- Policy on refunding of debt
- Compliance with federal tax law provisions

Capital Asset Policy

The City shall recognize all real or personal property that is purchased, constructed, or donated to the City and that has a value equal to or greater than the capitalization threshold for the particular classification of the asset and an estimated life of greater than one year.

8.1 Classifications

Land and Improvements

- Land consists of site, preparation, and site improvements other than buildings that ready land for its intended use. All costs associated are added to the cost of the land.
- Land and improvements are inexhaustible assets and do not depreciate over time.
- All acquisitions of land and improvements will be capitalized.

Buildings and Improvements

- Buildings are structures that are permanently attached to the land. Building improvements materially extend the useful life of a building and will be recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold or increases the life or value of the building by 25% of the original life period or cost.
- Buildings shall have an estimated useful life of at least 50 years and subsequent improvements that change the use or function of the building shall be depreciated.
- The capitalization threshold for buildings and improvements is $100,000.

Infrastructure and Improvements

- Infrastructure assets are linear and continuous in nature, such as, streets, water lines, sewer lines, drainage lines, etc. Improvements shall materially extend the useful life or increase the value of the infrastructure, or both. Additions and improvements shall increase the capacity of the asset. (Example: adding additional lanes to a highway would be capitalized)
- Infrastructure shall have an estimated useful life of at least 50 years.
- The capitalization threshold for infrastructure is $500,000.

Equipment

- All purchases of equipment that is used for operations and meets the minimum capitalization threshold shall be capitalized.
- Equipment shall have an estimated useful life from 5-8 years.
- The capitalization threshold for equipment is $5,000.

Construction in Progress

- Construction in progress is the construction activity of buildings, infrastructure, systems, additions, reconstruction, installations, and repairs, which are substantially incomplete.
- Depreciation is not applicable while assets are accounted for as Construction in Progress. See appropriate capital asset category.
- Construction in progress shall be capitalized to their appropriate capital asset categories upon the execution of completion contract documents, occupancy, or when the asset is placed into service.

8.2 Written Procedures

The Finance Department is responsible for developing citywide guidelines for the accounting, tagging, disposition and reporting of all capital assets.

8.3 Annual Review

This policy shall be reviewed annually by the Director of Administrative Services and in conjunction with the City's annual financial audit. The City's external auditors shall review the City's policy and compliance with said policy.

CITY OF RICHWOOD
INVESTMENT POLICY

1.0 INVESTMENT AUTHORITY AND SCOPE OF POLICY

1.01 Purpose

To establish and provide specific policy and guidelines for the conduct of the investment program of the City of Richwood.

1.02 Policy

It is the policy of the City of Richwood (the "City") to invest public funds in a manner, which will provide safety of principal while earning the highest reasonable market return in meeting the daily cash flow demands of the City. All funds will be invested in compliance with all federal, state and local statutes, rules and regulations and all Governmental Accounting Standards Board Statements, and related financial accounting standards.

This policy satisfies the requirement of Chapter 2256 of the Texas Government Code, Public Funds Investment Act (PFIA), hereinafter referred to as the "Public Funds Investment Act" or "PFIA" of "Act".

1.03 Scope

This Investment Policy shall apply to all the funds and investments of the City as well as any other funds held in custody by the City, and include the following funds:

1. General Fund
2. Special Revenue Funds
3. Capital Project Funds
4. Enterprise Funds
5. Trust & Agency Funds
6. Debt Service Funds
7. Internal Service Funds
8. Component Units, excluding those which have adopted a separate investment policy.
9. Any other funds or component units as created by the City.

These funds, as well as funds that may be created from time-to-time, shall be administered in accordance with the provisions of this policy. All funds invested under this policy shall be considered as a pooled group for investment purposes.

Deferred compensation and the retirement system assets the City set aside or holds for its employees are not subject to this policy.

1.04 Delegation of Investment Authority

The City Manager and the Director of Finance are hereby designated as Investment Officers for the City. The City may use other employees or the services of a contractor to aid the investment officer(s) in the execution of their duties. Otherwise, unless authorized by law, no other individual(s) has the authority to deposit, withdraw, transfer or manage the investments of the City. The City may designate a registered investment advisor to invest for the City and act as an additional Investment Officer. Authority granted to a person(s) to deposit, withdraw, invest, transfer, or manage the City's investments is effective until rescinded by City Council or until termination of the person's employment or contract.

The Director of Finance is responsible for the management of the investment program. The Investment Officers are responsible for the daily operations of the investment function. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

1.05 Ethics and Conflict of Interest

Investment Officers shall refrain from personal business activities that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Investment Officers who have a personal business relationship with a business organization seeking to sell an investment to the City and who have anyone related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement (Attachment B) disclosing that personal interest to the Director of Finance, City Manager, the City Council and the Texas Ethics Commission.

An Investment Officer has a personal business relationship with a business organization if:

1) The investment officer owns 10% or more of the voting stock or shares of the business organization or owns $5,000 or more of the fair market value of the business organization;
2) Funds received by the investment officer from the business organization exceed 10% of the investment officer's gross income for the previous year; or
3) The investment officer has acquired from the business organization during the previous year investments with a book value of $2,500 or more for the personal account of the investment officer.

2.0 INVESTMENT OBJECTIVES

2.01 Objective

City investments shall be made in accordance with federal and state laws, this Investment Policy and Investment Strategy and ordinances of the City. The City's investment portfolio shall be designed with the objective of attaining a market rate of return in accordance with its designated benchmark based on the City's cash flow requirements throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

2.02 Safety of Principal

The primary objective of the City's investment program is to ensure the safety of all funds. To attain this objective, it is the City's intent to invest in the safest types of securities, pre-qualify broker/dealers,, and advisors and to hold all investments until maturity in order to ensure the return of all invested principal unless as stipulated in Section 4.09 of the policy.

2.03 Liquidity

The City's investment should be based on a cash flow analysis, which will provide the liquidity necessary to pay all expected and unexpected obligations. Liquidity shall be achieved by matching investment maturities with budgetary and economic cycles. A portion of the portfolio will be maintained in liquid short-term investments that can be converted to cash, if necessary, to meet disbursement requirements. Investment pools and no-load money market mutual funds provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

2.04.1 Diversification

The City of Richwood shall diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of investments. Investment shall always be selected that provide for stability of income and reasonable liquidity.

2.04.2 Yield

It will be the objective of the City to earn a reasonable market yield throughout budgetary and economic cycles within the parameters imposed by its safety and liquidity objectives, investment strategies, and state and federal law. Return on investment is of secondary importance to safety and liquidity objectives. The yield and level of risk for the portfolio will be benchmarked against the yield of the one-year Treasury Bill during the comparable period as well as against an agency note with approximately the same maturity as the weighted average maturity of the portfolio.

2.06 Maturity

The portfolio shall be structured primarily to meet City obligations and secondarily to achieve a reasonable return of interest. The maximum allowable stated maturity of any individual investment owned by the City shall be five (5) years from date of purchase. The settlement date is considered the date of purchase. However, the City may collateralize its demand deposit accounts, certificates of deposits, and repurchase agreements using longer-dated investments not to exceed ten (10) years.

The maximum weighted average maturity based on the overall portfolio shall not exceed 36 months, or 1095 days.

2.07 Investment Training

City designated Investment Officers shall take and maintain training in accordance with the training requirements as set forth in the Act (Section 2256.008). An external auditor shall review documentation of annual training requirements annually.

2.08 Quality and Capability of Investment Management

Investment Officers always shall be cognizant of the standard of care and the investment objectives as set forth in the Act and the City's Investment Policy.

2.09 Investment Strategy

In accordance with the Act (2256.005(d)) a separate written investment strategy shall be developed for each portfolio/fund or pooled group of funds under the City's control. The strategy shall be reviewed on an annual basis with formal action by the City Council stating that the strategy has been reviewed and recording any changes made.

2.10 Cash Management

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability to the City for investment use. The City shall maintain a comprehensive cash management program that includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms and the management of banking services.

3.0 AUTHORIZED INVESTMENTS

3.01 Authorized Investments

Authorized investments under this policy shall be limited to the instruments listed below as authorized and defined by the Public Funds Investment Act.

A. Direct obligations of the United States or its agencies and instrumentalities.

B. Direct obligations of the State of Texas or its agencies and instrumentalities

C. Collateralized Certificates of Deposit of banks or savings banks doing business in Texas, collateralized to 102%, and guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or secured by obligations of the United State Government, including mortgage backed securities, which pass the bank test, but excluding those mortgage backed securities defined in Section 2256.009(b) of the Act.

F. Constant dollar local government investment pools as defined by the Act (2256.016 and 2256.019) and approved by City Council resolution.

G. AAA-rated, SEC registered no-load Money Market Mutual Funds and no-load mutual fund including funds that invest in commercial paper and as further defined in Sections 2256.013 and 2256.014 of the Act.

H. Interest bearing bank deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) and that are fully collateralized at 102% of the ledger balance.

J. Certificates of deposit through the Certificate of Deposit Account Registry Service (CDARS) program.

3.02 Certificates of Deposit

A. Depository Certificates of Deposit (CD) may be purchased from any depository institution located in the State of Texas.

It is not necessary for a Texas depository institution to be on the City's approved broker/dealer list as CD's are considered depository in nature. Prior to purchase, however, all agreements with the depository institution must be completed prior to the purchase of a CD from the depository institution.

B. Amounts purchased over the FDIC limit whether from a depository institution or brokerage firm must be collateralized.

3.03 Unauthorized Investments

Specifically, prohibited investments are:

1. Collateralized mortgage obligations (CMO), excluding Pools which invest in CMOs
2. Commercial Paper, excluding Pools which invest in Commercial Paper
3. All swaps including but not limited to even-basis swaps, interest rate swaps
4. Forwards and futures
5. Options
6. Foreign Exchange
7. Planned amortization classes (PAC)
8. Regular floaters tied to government securities
9. Investments with various interest rate caps, floors, and collars
10. Investment pools in which the City would own more than 10% of the market value of the pool
11. Any other investments that are not on the authorized investment list

3.04 Investments with Required Ratings

Investments with minimum required ratings such as investment pools and no-load mutual funds do not qualify as authorized investments during the period the investment does not have the minimum rating. Investment ratings shall be checked monthly online by an Investment Officer to ensure that the ratings have not been downgraded. The City shall take all prudent measures that are consistent with its investment policy to liquidate investments that do not have the minimum rating.

3.05 Exemptions for Existing Investments

Any investment currently held that does not meet the guidelines of this policy, but were authorized investments at the time of purchase, is not required to be liquidated; however, the City shall take all prudent measures consistent with this Investment Policy to liquidate an investment that does not or no longer qualifies as an authorized investment.

4.0 INVESTMENT CONTROLS

4.01 Selection of Investment Broker/Dealers

The Investment Officers will maintain a list of financial institutions, primary broker/dealers, and local government investment pools authorized by the City Council to provide investment services to the City. Annually, the City Council will approve the list (Attachment C) of financial institutions and broker/dealers authorized to conduct business with the City. Investment Officers shall not conduct business with any firm not approved by City Council, except for the purchase of CD's from Texas depository institutions.

All financial institutions and broker/dealers who desire to become qualified bidders for investment services must fill out an application and return it to the City by the stated day and time. After review of all applicants, a list of selected financial institutions and broker/dealers will be prepared by the Investment Officers and reviewed by the Investment Committee. The following may be required with the application: most recent audited financial statement, list of local government clients, and statements of qualifications. Additions to the approved broker/dealer list will be made at a minimum bi-annually.

Criteria used in the selection of the authorized broker/dealers will include, but are not limited, to material litigation against the firm, regulatory status of the dealer, completed packet, references from local government clients, background and expertise in investment of public funds.

Up to ten firms shall be selected to appear on the City's approved list. If, after a firm is selected, they no longer qualify to appear on the City's approved dealer list, or provide services inconsistent with acceptable levels, the Investment Officers may recommend City Council to remove the firm from the approved list and replace it with a qualified firm.. Should an approved bank merge with or be acquired by another bank while on the City's approved list, the new bank must agree to meet the same collateralization and certification requirements, or the bank shall be removed from the approved list.

4.02 Certification

A written copy of this Investment Policy shall be presented to any firm seeking to engage in a financial transaction with the City. The authorized representative of the firm shall execute a written instrument substantially in the form of Attachment A of this Policy and to the effect that the representative has:

1. received and thoroughly reviewed the investment policy of the City; and
2. acknowledged that the organization has implemented reasonable procedures and controls in effort to preclude investment transactions that are not authorized by the City's Investment Policy except to the extent that the authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires interpretation of subjective investment standards.

The Investment Officer(s) may not transact business with any firm that has not executed and returned this certification. (2256.005(l)).

The City may contract with a registered investment advisor for the management of the City's portfolio. The advisor shall review the Policy and execute all transactions in accordance with the provisions and controls of the Policy.

4.03 Delivery vs. Payment Settlement

It shall be the policy of the City that all securities shall be purchased on a “Delivery vs. Payment” (DVP) basis, except for investment pools and mutual funds. By so doing, City funds are not released until the City or its approved custodian has received the securities purchased or pledged.

4.04 Internal Control and Annual Audit

The Director of Finance or designee shall establish a system of internal controls. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, or imprudent actions by employees or Investment Officers of the City. Controls and managerial emphasis deemed most important include the following:

Imperative Controls:

A. Safekeeping receipts and record management

B. Documentation of investment bidding

C. Written confirmations

D. Reconciliation and comparisons of security receipts with investments and bank records

E. Compliance with investment policies

F. Accurate and timely reporting

G. Adequate training and development of Investment Officers

Controls Where Practical

A. Control of collusion

B. Segregation of duties

C. Clear delegation of authority

D. Staying informed about market conditions, changes and trends that require adjustments in investment strategies.

The City, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the City’s established investment policies. This annual audit shall be performed by an external auditor and will include formal review of the quarterly reports.

4.05 Standard of Care

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

1. the investment of all funds over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
2. whether the investment decision was consistent with the City’s Investment Policy.

The Director of Finance and the Investment Officers are not personally responsible for changes in the market.

4.06 Competitive Bidding

The investment officer shall obtain competitive bids from at least three brokers or financial institutions on all purchases and sales of investment instruments transacted on the secondary market. The requirement for competitive bids shall not apply to a) transactions with money market funds and local government investment pools (which are deemed to be made at prevailing market rates), b) treasury and agency securities purchased at issuance through an approved broker/dealer or financial institution, and c) fully insured certificates of deposit placed in accordance with the conditions prescribed in Section 2256.010(b) of the Act. In situations where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price for the security. Quotes will be accepted either written or electronically, or a combination thereof. An exception to this rule may be made when time limitations preclude the bidding process.

The investment will be made with the broker/dealer offering the greatest return and quality to the City. If three bids/offers are solicited but three responses are not received within the time frame specified in the solicitation of the bid/offer, the Investment Officer may act based on the responses received as long as the solicitation of and failure to receive the bids/offers is documented. Any investments purchased must have the signature of at least two Investment Officers, when both are present.

4.07 Portfolio Diversification

The City will diversify its investments by security type, institution, and broker/dealer. Requests for bids/offers from broker/dealers shall rotate among approved broker/dealers to ensure that the same brokers are not solicited for every bid/offer request, and to ensure competition among broker/dealers.

With the exception of U.S Treasury Securities and interest-bearing checking accounts that are fully collateralized, no more than 75% of the City's total investment portfolio will be invested in a single security type. If the City elects to participate in more than one investment pool, the total percent invested in all pools shall not exceed the maximum percent allowed.

Diversification requirements are as follows:

Investment Type	Maximum Investment %
Certificates of Deposit**	Up to 75%
US Treasury Bills/Notes	Up to 100%
Other US Government Securities	Up to 50%
Authorized Investment Pools	Up to 75% in total
CDARS Program	Up to 25%
No-Load MM Mutual Funds	Up to 50%
No-Load Mutual Funds	Per PFIA
Sweep Accounts/DDA***	Up to 100%

** FDIC coverage or fully collateralized

*** Fully collateralized at 102% of value

4.08 Electronic Funds Transfer

The City may use electronic means to transfer or invest all funds collected or controlled by the City.

4.09 Selling of Securities Before Maturity

While it is the City's intent to hold securities to maturity to ensure safety of principal, if the City needs to sell securities in order to meet disbursement needs or to take advantage of interest rates, the City Manager and the Director of Finance must both approve the sale of the security.

5.0 Arbitrage

Arbitrage rebate provisions require that the City compute earnings on investments from each issue of bonds on an annual basis to determine if a rebate to the IRS is required. The City is required to perform specific calculations relative to the actual yield earned on the investment of the funds and the yield that could have been earned if the funds had been invested at a rate equal to the yield on the bonds sold by the City. The regulations require extreme precision in the monitoring and recording facets of the investments, and particularly as it relates to yields and computations in order to ensure compliance. Failure to comply can dictate that the bonds become taxable, retroactively from the date of issuance, or subject the City to severe penalties.

The City's investment position as it relates to arbitrage regulations is as follows: Investments on bond proceeds will be made with safety of principal and liquidity in mind, but with a competitive rate of return. When project timing and cash flows allow, bond proceeds may be invested in instruments allowed under Section 3.0, if the investment can be purchased solely with the individual bond proceeds, and not commingled with operating funds or multiple issues. All investments purchased with bond funds shall be documented clearly and reported to the City's arbitrage consultant for tracking and review. Arbitrage rebate calculations will be performed annually on all debt issues and funds set aside annually for any positive arbitrage. When present positive arbitrage will be re-bated to the IRS, as necessary.

6.0 Investment Reporting

The Investment Officers shall report to City Council on no less than a quarterly basis in accordance with the Act (2256.023). The report shall include a detailed listing of all purchases, sales, and payments and a description of each security held as well as a management summary information.

The report must be prepared and signed by all Investment Officers and contain a statement of compliance regarding the City's Investment Policy and the Act (2256.023).

Market prices used to determine market value in the investment reports shall be obtained from an independent source.

7.0 INVESTMENT COLLATERAL AND SAFEKEEPING

7.01 Collateral

The Investment Officer(s) or Investment Advisor shall ensure that all City funds in time and demand deposits, all uninsured collected balances plus accrued interest, if any, certificates of deposits and/or repurchase agreements are insured or collateralized consistent with the Public Funds Collateral Act (Texas Government Code 2257) and federal law as well as the then current bank depository contract. The City chooses to accept collateral based on the list of investments authorized under the Public Funds Investment Act. The right of collateral substitution may be granted with the approval of the City Manager or Finance Director. Also, the City Manager or the Finance Director may approve, and release pledged collateral. The City shall request additional collateral in the event Investment Officer(s) deems that deposits or investments are not sufficiently protected by the pledged collateral.

The market value of the pledged securities used as collateral will equal 102% of the ledger balance of time and demand deposits, plus principal and accrued interest on certificates of deposit, and repurchase agreements and be held by an independent party outside the bank's or counter-parties' holding company. Pledged collateral will be evidenced by original safekeeping receipts, which are held in the Federal Reserve Bank and is readily available to the City. The City's bank and/or third-party custodian will always be responsible for the monitoring and maintaining of margin levels.

7.02 Safekeeping

All pledged securities will be held by an independent third-party custodian selected by the City, with all securities held in the City of Richwood's name. The custodial safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70). Safekeeping receipts shall be maintained by the Investment Officer(s) and shall be available for review upon request.

8.0 INVESTMENT POLICY and INVESTMENT STRATEGY ADOPTION

The City's Investment Policy and Investment Strategy shall be adopted by resolution annually by the City Council. Any modifications made thereto must be approved by the City Council and documented by formal action.

9.0 CITY OF RICHWOOD INVESTMENT STRATEGY

The City of Richwood shall adopt by resolution a separate written investment strategy for each of the funds under its control. For Investment purposes, the City shall use a "Pooled Fund Group" which means that all funds under the City's control shall be treated as one fund with respect to its investment strategy.

9.01 Suitability

Investments are to be purchased based on the financial requirements of the City. The City of Richwood shall strive to maintain the level of investment of all fund balances, reserves and bond funds as close as possible to 100%. Any investment eligible in the Investment Policy is suitable for all City funds, including component units.

9.02 Safety of Principal

Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. All investments shall be of high quality with no perceived default risk. It is the City's full intent, at the time of purchase, to hold all investments until maturity in order to ensure the return of all invested principal.

9.03 Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with budgetary and economic cycles, and forecasted cash flow requirements. A portion of the portfolio will be maintained in liquid short-term securities that can be converted to cash if necessary, to meet disbursement requirements. Investment pools and money market mutual funds provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

9.04 Marketability

The City shall invest in securities that, if the need arises, can be liquidated before maturity. Investments will never be prematurely sold at less than book value plus accrued interest, without the approval of the Director of Finance and the City Manager.

9.05 Diversification

The City will diversify its investments by security type and by broker/dealer. Except for U.S. Treasury securities and fully collateralized demand deposit accounts, no more than 75% of the City's total investment portfolio will be invested in a single security type.

9.06 Yield

The investment portfolio shall obtain a competitive rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The City shall attempt to obtain an acceptable return provided that the requirements of safety and liquidity are first met. The yield of the one-year U.S. Treasury Bill shall be a yield objective or benchmark as well as benchmarked against an agency note with maturity, which approximates the weighted average maturity of the portfolio

10.0 GLOSSARY and ATTACHMENTS

GLOSSARY of Definitions

Accrued Interest: Term designating the interest due on a bond or other fixed income security that must be paid by the buyer of a security to its seller.

Agency: A security, almost always debt, issued by a corporation sponsored by the U.S. Government. Examples: bonds of the Tennessee Valley Authority.

Agency Notes: One to two-year obligations offered at a discount from par by U.S. Government Agencies, such as the Federal National Mortgage Association, the Federal Home Administration, and the Farm Credit System.

Bid: The price offered by a buyer of securities – when you are selling securities, you ask for a bid.

Broker: A broker brings buyers and sellers together for a commission.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate.

Collateral: Evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Component Unit: Based on generally accepted account principles, the Richwood Economic Development Corporation, TIRZ #2, and the Development Authority of Richwood are considered component units of the City, and as such are included in the City's annual financial reports.

Confirmation: Commonly called a "confirm." The confirmation is a notice to a customer that payment is due on a purchase, or that net proceeds are available on a sale of securities. Federal securities law requires that a confirmation be sent promptly following each purchase and sale.

Conflict of Interest: Term used to describe a financial situation where a person prejudicially places personal affairs before those of constituents that the person is supposed to serve or represent.

Coupon: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

Current Maturity: Used to designate the remaining lifetime of an already outstanding bond.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Delivery versus Payment: Delivery of securities first, with an exchange of money for the securities after delivery.

Derivatives: (a) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying indices or securities, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security.

Discount: The difference between the cost price of a security and its maturity value when quoted at lower than face value. A security selling below original offering price shortly after sale is also considered to be at a discount.

Discount Securities: Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value. Example: U.S. Treasury Bills.

Discount Yield: Measurement of return that computes interest on face value of security rather than on the dollar amount invested. Used in figuring yield on U.S. Treasury Bills.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Equivalent Bond Yield: Used to compare the discount yield on money market securities to the coupon yield on government bonds.

Face Value: The dollar amount that appears on the face of the bond certificate. It is the dollar amount the issuer promises to pay to the holder at maturity. Also called par value.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals. Examples: S&L's, small business firms, students, farmers, farm cooperatives.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per depositor.

Federal Funds Rate: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

Federal Farm Credit Bank (FFCB): Fiscal agent for the Farm Credit System, a public government sponsored enterprise (GSE) created in 1916 to lend to agricultural and rural America. Funds for loans are obtained through the issuance of Farm Credit Debt Securities.

Federal Home Loan Bank (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLB is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac): Public government sponsored enterprise (GSE) created in 1970 to expand the secondary market for mortgages in the US. Along with other GSEs, Freddie Mac buys mortgages on the secondary market, pools them, and sells them as a mortgage-backed security to investors on the open market. This secondary mortgage market increases the supply of money available for mortgage lending and increases the money available for new home purchases.

Federal National Mortgage Association (FNMA or Fannie Mae): FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC): Consists of the seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

Financial Assets: Cash and other assets that, in the normal course of operations, will become cash.

Government National Mortgage Association (GNMA or Ginnie Mae): A fixed income security that represents an undivided interest in a pool of federally insured mortgages put together by GNMA. GNMA securities are commonly backed by FHA or VA mortgages.

Liquidity: A liquid assets is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable sizes can be done at those quotes.

Local Government Investment Pool (LGIP): An entity created under the public funds investment act to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are 1) preservation and safety of principal, 2) liquidity, and 3) yield.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Master Repurchase Agreement: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Money Market: The market in which short-term debt instruments (bills, commercial paper, etc.) with a one-year maturity or less, and often 30-days or less, are issued and traded.

Offer: The price asked by a seller of securities.

Overnight Repo: A repurchase agreement with expiration set for the following business day.

Par Value: The dollar amount that appears on the face of the bond certificate. It is the dollar amount the issuer promises to pay to the holder at maturity. Also, called face value.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria, including capital requirements and participation in Treasury auctions.

Principal: The face amount (par value) of a debt security.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. For bonds and notes, it is the coupon rate divided by the price.

Repurchase Agreement (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.

Safekeeping: A services to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vault for protection.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities and Exchange Commission: Agency created by Congress to protect investors in security related transactions by administering securities legislation.

Sell: To transfer ownership for a monetary consideration. The term is used in conjunction with the disposition of stocks, bonds, or other financial assets.

Structured Notes: Notes issued by Government Sponsored Enterprises (FFCB, FHLB, FHLMC, FNMA, SLMA, etc.) and Corporations that have imbedded options (e.g.: call features, step-up coupons, floating rate coupons, derivative based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Treasury Bills: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds: Long-term coupon bearing U.S. Treasury Securities issued as direct obligations of the U. S. Government and having initial maturities of more than 10 years.

Treasury Notes: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio.

Purchasing Policy

Effective date: July 13, 2020

It is the policy of the City of Richwood, Texas to provide cost effective methods for acquiring goods, meet operational needs, and encourage competitiveness on the part of vendors.

RESPONSIBILITY. Department Directors are ultimately responsible for ensuring that all policies and procedures are followed. The City's purchasing system is considered de-centralized (each departments' responsibility) except for those goods, services, and equipment that qualify or are designated otherwise.

It is the responsibility of each employee:

- ✓ To understand and comply with the procedures and guidelines described in this policy and to adhere to appropriate departmental operational procedures for purchasing goods and services on behalf of the City.
- ✓ To understand that no purchase made by an employee shall bind the City to receive and or pay for the goods or service procured, unless authorized by the appropriate Department Director.
- ✓ To have specific authorization or prior approval to incur expenses chargeable to the City of Richwood.
- ✓ To forward all applicable paperwork to the Finance Department as promptly as possible to expedite processing.

DELEGATON OF PURCHASING AUTHORITY. The City Manager as authorized by the City Council of Richwood, is delegated the authority to procure materials and services for the City of Richwood. The City Manager has also granted this authority to certain City employees.

AUTHORITY AND APPROVALS. The City Manager or his designee must approve all invoices that exceed $1,000. Any procurement made that will exceed $50,000 must be approved by the City Council. The City Manager has established the following approval levels:

Department Designee	$0>	$ 2,500
Department Director	$0>	$ 5,000
Finance Director	$0>	$10,000
City Manager	$0>	$50,000

City Manager with City Council (resolution) over $50,000

TYPES OF PURCHASES.

All contracts greater than $50,000 shall be awarded by **competitive sealed bidding.** When the City determines that the use of competitive sealed bidding is either not practicable or advantageous to the City, a contract may be entered into by use of the **sealed proposals method**. Section 252.022 (a)(7) of the Local Government Code allows an exemption from bidding procedure for a procurement of items that are available from **only one source**. **Credit cards** are also issued to individual employees and at the discretion of the City Manager. For more info, see City of Richwood, Texas Credit Card Policy and Procedures.

LOCAL VENDORS. To provide for the purchase of goods and services by the City, if price and quality are equal, preference shall be given to local vendors and local products.

VENDOR INFORMATION. Departments are available to meet with vendor representatives between 8:00a.m. and 5:00p.m. Monday thru Friday. Meetings should be by appointment.

The City staff will assist vendors in understanding the City's purchasing and payment processing procedures. New vendors are required to submit a "vendor payment form", a completed W-9 form, and a "Conflict of Interest" form prior to invoices being submitted for payment.

- ✓ The Finance Department shall maintain a data base vendor file of Richwood vendors and assign vendor numbers. All user departments are encouraged to utilize this list when soliciting or placing orders.
- ✓ Any vendor that has not been used in the past 24 months will be considered inactive and dropped from the vendor database. Vendors that are dropped shall be considered new vendors and required to fill out vendor forms again.

INVOICES are prepared by the vendor and sent to the Finance Department at 1800 Brazosport Blvd N, Richwood, Texas 77531. The information provided by the vendor must match our current vendor file. (Note: All invoices should be date stamped upon receipt by Finance.)

PAYMENT PROCEDURES. Due to the volume of invoices received by the Finance Department, it is important to verify all goods received as soon as possible. This prompt receipting of goods and the subsequent preparation of the payment documents ensures that the payment will be processed timely and, in a manner, allowing the City to maximize discount terms. If there is a problem with the merchandise, i.e. damaged items, an incomplete order, incorrect items received or any other problem, the vendor should be notified, and the problem corrected before the payment is prepared. If the problem can not be corrected, contact the Finance Department for assistance.

ADVANCE PAYMENTS. Advance payments by the City are permitted but discouraged and shall be made only when necessary and approved by the City Manager and/or Finance Director. Agreements containing provisions for advance payments shall provide for periodic payments that are tied to delivered goods or services, rather than total contract price or lump sum advances.

CUT OFF DATE. The check process is run weekly. Invoices are due in Finance no later than noon on each Wednesday in order to be processed for the check run. The Finance Department reserves the right to control the processing of invoices for any reason.

CHECK PREPARATION. The Finance Department prepares a check for each vendor and verifies total invoices to the check amount for accuracy. Any errors are corrected, and a final check register is run and archived. A bank file is prepare called "positive pay". This file contains a list of all the checks and their amounts that are approved for payment. This file is transmitted via the internet to the City's bank depository as a fraud prevention method that allows the bank to review the checks in advance and to clear checks for the approved amounts only. After file is transmitted, checks are sent to the vendors via US mail or customer pick up.

BANK DRAFTS. The Finance Director may set up recurring bank drafts. These drafts may be set up for any recurring fee or charge.

ACH REMITTANCE.

The Finance Department may pay a vendor through the ACH system if the vendor prefers this payment method. Vendors must provide their banking information, which will be entered into the accounts payable system. The ACH file will be transmitted to the bank and the payments will be made directly from our account.

PROBLEM AREAS IN PAYMENT PROCESSING. Several problems on a payment document can cause a payment to be delayed. For example:

- ✓ No authorized signature included on the invoice. All invoices must be signed-off for payment by the department designee, Director, Finance Director or City Manager.
- ✓ Invoices or other documentation do not match the payment documentation.
- ✓ The vendor information on file does not match the vendor information on the invoice.

Minutes of City Council

The City Council Regular Meeting of October 12, 2020

BE IT KNOWN THAT, a City Council Regular Meeting of City of Richwood was held October 12, 2020, beginning at 6:00 PM in the Richwood City Hall Richwood City Hall, 1800 N. Brazosport Blvd., Richwood, Texas 77531

I. **CALL TO ORDER**

The meeting was called to order at 6:13 p.m.

II. **ROLL CALL OF COUNCIL MEMBERS**

Steve Boykin, Mayor:	Present
Mike Johnson, Position 1:	Present
Melissa Strawn, Position 2:	Present
Matthew Yarborough, Position 3:	Absent
Mark Brown II, Position 4:	Present
Katie Johnson, Position 5:	Present

Others in attendance: Eric Foerster, City Manager; Kirsten Garcia, City Secretary; Patricia Ditto, Finance Director; Clif Custer, Public Works Director; Stephen Mayer, Chief of Police; Matt Allen, City Attorney

III. **PUBLIC COMMENTS**

There were no public comments.

IV. **PRESENTATIONS**

A. Brazosport Independent School District

Danny Massey, Brazosport ISD Superintendent presented.

V. **CONSENT AGENDA**

Motion to approve consent agenda. This motion, made by Mark Brown II and seconded by Melissa Strawn, Passed.
Yea: 4, Nay: 0

A. Approval of Minutes

1. Regular meeting held September 14, 2020

2. Special meeting held September 21, 2020

B. Discuss and consider a resolution amending the authorized representatives under the investment agreement for TexPool and TexPool Prime to add Finance Director, Patricia Ditto.

C. Discuss and consider a resolution amending the Fiscal Year 2019-2020 Budget to transfer FY19 interest revenue between fund balances.

D. Discuss and consider a resolution amending the Fiscal Year 2020-2021 Budget to transfer budgeted funds from transportation to 2019A Bond Project funds.

VI. **DISCUSSION AND ACTION ITEMS**

A. Final review and action on replat of lots known as Marquis of Magnolia, to amend building lines and rename subdivision to Ridgeway at Richwood.

Motion to table action item V.I.A. This motion, made by Mark Brown II and seconded by Mike Johnson, Passed.
Yea: 4, Nay: 0

B. Discuss and consider a resolution authorizing the submission of a Community Development Block Grant - Mitigation (CDBG-MIT) application to the Texas General Land Office and authorizing the Mayor and City Manager to act as the representatives in all matters pertaining to the City's participation in the CDBG-MIT program.

Motion to approve a resolution authorizing the submission of a Community Development Block Grant - Mitigation (CDBG-MIT) application to the Texas General Land Office and authorizing the Mayor and City Manager to act as the representatives in all matters pertaining to the City's participation in the CDBG-MIT program. This motion, made by Mark Brown II and seconded by Katie Johnson, Passed.
Yea: 4, Nay: 0

C. Discuss and consider a resolution authorizing the Mayor to sign Governor Greg Abbott's Back the Blue pledge on behalf of the City of Richwood in support of Law Enforcement Officers.

Motion to approve a resolution authorizing the Mayor to sign Governor Greg Abbott's Back the Blue pledge on behalf of the City of Richwood in support of

Law Enforcement Officers. This motion, made by Melissa Strawn and seconded by Mark Brown II, Passed.
Yea: 4, Nay: 0

D. Appoint applicants to serve on Charter Review Commission

Motion to appoint the all six applicants to charter review commission with Katie Johnson serving as liaison. This motion, made by Mark Brown II and seconded by Melissa Strawn, Passed.
Yea: 4, Nay: 0

E. Discussion and possible action regarding the sale of real property located at 215 Halbert, Richwood, Texas 77531.

No action was taken.

F. Discuss and consider authorizing the City Manager to execute a contract, extending the interlocal agreement with the City of Angleton for animal control services.

Motion to authorize the City Manager to execute a contract, extending the inter-local agreement with the City of Angleton for animal control services. This motion, made by Mike Johnson and seconded by Melissa Strawn, Passed.
Yea: 4, Nay: 0

G. Discuss and consider adoption of a Citizen Participation Plan for the CDBG-MIT program, for the City of Richwood

Motion to adopt a Citizen Participation Plan for the CDBG-MIT program, for the City of Richwood. This motion, made by Mark Brown II and seconded by Katie Johnson, Passed.
Yea: 4, Nay: 0

H. Discuss and consider adoption of Procurement Policies & Procedures for the City of Richwood.

Motion to adopt Procurement Policies & Procedures for the City of Richwood. This motion, made by Mark Brown II and seconded by Katie Johnson, Passed.
Yea: 4, Nay: 0

I. Discuss and consider an ordinance (No. 20-470) amending Chapter 20 Traffic and Vehicles of the City of Richwood's Code of Ordinances to change times regarding the one-way traffic flow on Audubon Woods Drive.

Motion to approve ordinance (#20-470) amending Chapter 20 Traffic and Vehicles of the City of Richwood's Code of Ordinances to change times

regarding the one-way traffic flow on Audubon Woods Drive. This motion, made by Mike Johnson and seconded by Melissa Strawn, Passed.
Yea: 4, Nay: 0

J. Discuss and consider an ordinance (No. 20-472) relating to flood damage prevention and repealing ordinance number 351.

Motion to approve ordinance (No. 20-472) relating to flood damage prevention and repealing ordinance number 351. This motion, made by Mike Johnson and seconded by Melissa Strawn, Passed.
Yea: 4, Nay: 0

K. Approve items removed from Consent Agenda

There were no items removed from Consent Agenda.

VII. **EXECUTIVE SESSION**

A. Pursuant to Chapter 551.0745, Personnel Matters to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee or to hear a complaint or charge against an officer or employee:

1. Eric Foerster, City Manager

Recessed from Open Session at 7:15 p.m.

Reconvened at 8:24 p.m.

No action taken.

VIII. **CAPITAL IMPROVEMENT PROJECTS UPDATE**

Clif Custer, Public Works Director, reported.

IX. **CITY MANAGER'S REPORT**

Eric Foerster, City Manager, reported.

X. **COUNCIL MEMBER COMMENTS & REPORTS**

Melissa Strawn gave kudos to Clif Custer on all the work going on with the roads.

Mark Brown II thanked staff for quickly addressing needs from residents. Also extended congrats to Tricia for passing probation, she doing a great job, keep it up. He also recognized the Police Department they are doing a great job, being present and keeping us safe. He added that KRB has done a great job at the garden getting things set up for Halloween and the Community Clean Up event was successful, thank you to all citizens who participated and KRB driving it along. He stated he plans to attend an upcoming TML training.

XI. **MAYOR'S REPORT**

Mayor reported accolades to staff for the work put in the last couple months, even while being short on personnel. Thank you to the PD for keeping things safe for us. Mayor addressed the concerns of residents regarding the splash pad. He stated that our splash pad is a once through, we do not recycle the water. It is chlorinated and safe for the public. Hurricane season is not over, so be vigilant and stay aware. Mayor thanks residents who volunteered for Charter review.

XII. **FUTURE AGENDA ITEMS**

Tabled Item from Planning and Zoning

XIII. **ADJOURNMENT**

Being there no further business, the meeting was adjourned at 8:44 p.m.

These minutes were read and approved on this 9th day of November 2020.

____

Mayor

ATTEST:

____

City of Richwood
TEXAS

AGENDA MEMORANDUM-NOVEMBER 9, 2020
ITEM # CONSENT

CONTACT: Patricia Ditto, Deputy Finance Director

SUBJECT: Monthly Budget Summary Report

SUMMARY: **Receive and/or approve the September 2020 Budget Report**

BACKGROUND INFORMATION:
The information provided is for the FY 2019-20 budget period, month ending September 30, 2020. This summary highlights several key points related to the current month's activity for the General Fund and for the Water and Sewer Fund only. The attached report is unaudited and may include corrections from prior months.

DISCUSSION:

Attached is the budget report for September 2020, which is the final month of Fiscal Year 20. Therefore, Current YTD amounts are the ending numbers for the fiscal year as the system shows currently. However, as we work through the audit, these numbers will change before final numbers are provided.

10-General Fund

As of September 30, 2020, General Fund revenues total $2,587,972 or 98.99.% of the budget year to date. General Fund expenditures total $2,517,944, or 92.4% of the budget. The net total for the General Fund is ($292,636), ahead of the budgeted net by $183,781. It is worth noting that the transfer earlier this year from the General Fund to the Transportation Fund reduced the FY20 net by approximately $156,000, although it reflected income and expense from prior years. It however does not affect the difference between budget and actual as those amounts were adjusted within the budget with approved amendments.

Revenue (GF)

- M & O (Maintenance and Operations) Property tax (including current, delinquent and penalties) received through the end of August is $1,680,776, 99.1% of its annual budgeted amount. Current property tax received is at 98.26% of budget.
- Sales Tax revenue received this month totaled $42,447 for taxes collected on July 2020 sales reported for monthly filers, giving us a total Sales Tax Revenue of $465,465, 96.97% of budget. In addition, $116,366 has been collected for Streets, showing in the Transportation Fund. A total of $480,000 was budgeted for the fiscal year for both General Fund and Transportation Fund. Looking at the total of both funds, we are $101,831 over the budgeted amount. Considering the impact of the pandemic on sales taxes statewide, we are very fortunate to have exceeded expectations.
- Permits and Licenses revenues total $5,382 for September. Year to date revenue is $95,400, behind budget by $16,850, about 85% of budget collected. The shortage can be primarily blamed on the impact of the pandemic.
- Court fees for September are $2,801, year to date of $65,346, $38,654 under budget, 62.83% of budget collected for this year. Much of the reason for this is a reduction in citations due to COVID precautions by our officers.

Expenditures (GF)
The Administrative Department (01) is slightly above budget with $48,500 spent for September for an annual total of $520,567, $1.079 over budget. Finance shows $16,062 of expenditures for the month, with a yearly total of $175,255, $73,093 under budget. These departments were somewhat blended throughout the year and will be combined going forward, so a true picture can be seen by combining the numbers, with a total of $695,822 expended on a budget of $767,836, leaving $72,014 of budget remaining. This equates to expenditures at 9.37% below budget.

Judicial Department (06) expenditures for the month are $6,886 or 77.74% of the budget spent.

The Permitting & Inspections Department (10) expenditures are below budget with 70.24% of the annual budget year to date. This brings the General Government spending to 88.24% of the budget for the year, with $109,826 of budget remaining unspent.

The Police Department (05) expenditures for the month are $108,643 or $1,021,022 year to date, above budget by $36,160. We expect to receive reimbursement from the CARES act for COVID related expenditures, which will bring this department back under budget.

The Fire Department (07) expenditures for the month are $23,546 for a year to date total of $289,923. 82.7% of their budget was spent, with a portion of the remainder being moved to replacement for planned expenditures in FY21.

The Code Enforcement Department (09) expenditures for the month are $5,116, having only spent 67.9% of the annual budget, or $35,795 having been spent. Overall, the Public Safety division of our financials are at 97.01% of budget amount.

The City Maintenance Department (02) expenditures for the month are $40,225, $231,218 or 92.9% of the annual budget spent.

The Parks and Recreation Department (08) expenditures for the month are $4,524, bringing them just slightly over budget by $147.

The General Fund has ended the year $183,781 ahead of budget. As demonstrated in the August Budget report, this is do to conservative spending within the last 6 months of the fiscal year. This reduction in spending has left the General Fund in a much more favorable position going into FY21 than originally anticipated. Once CARES act & FEMA reimbursements are determined, the General Fund will be brought even farther below budget as payroll expenses related to COVID are expected to be fully reimbursed.

30-Water, Sewer and Solid Waste Fund
As of September 30, 2020, Water, Sewer, and Solid Waste Funds year to date operating revenues totals $2,217,287, $109,086 above budgeted revenues. Water, Sewer, and Solid Waste Fund operating expenses total $1,764,992, $28,623 above budget. The net income for the Water, Sewer and Solid Waste Fund is $258,529, ahead of budgeted net by $419,587. With the yearend close, depreciation will be calculated so that will affect

the net by approximately $300,000. Depreciation is not budgeted. The positive net income can be partially attributed to some inaccurate budgeting, but also to careful spending over the last half of the year.

It is important to note that this budget report reflects the FY20 ending numbers as they stand right now. With audit adjustments, the balances will change and will be reported to City Council in February.

RECOMMENDATION: Council to approve September 2020 Budget Summary Report for General Fund and the Water & Sewer Fund.

(979) 265 2082
info@richwoodtx.gov
1800 Brazosport Blvd. N.
Richwood, Texas 77531

City of Richwood Operational Budget Report 10/1/2019 to 9/30/2020						
10 General Fund	**Prior YTD**	**Current Period**	**Current YTD**	**Annual Budget**	**Remaining Budget**	**% Earned/Used**
Revenue						
Taxes	2,376,775.58	59,481.29	2,340,169.33	2,344,000.00	3,830.67	99.84%
Licenses and permits	105,003.84	5,381.64	95,399.64	112,250.00	16,850.36	84.99%
Intergovernmental revenue	177,309.07	46,717.00	48,412.35	1,100.00	(47,312.35)	Ahead of Budget
Charges for services	6,507.00	0.00	1,624.00	8,500.00	6,876.00	19.11%
Fines and forfeitures	100,642.30	2,801.00	65,345.71	104,000.00	38,654.29	62.83%
Special Revenues	5,353.21	0.20	1,481.36	1,200.00	(281.36)	Ahead of Budget
Interest	35,148.42	(257.65)	9,088.62	14,000.00	4,911.38	64.92%
Miscellaneous revenue	162,389.74	(12,495.94)	26,451.46	29,360.00	2,908.54	90.09%
Inspection Fees	30,427.50	2,530.00	30,360.00	30,360.00		
Miscellaneous Income	4,600.76	(15,377.48)	(6,040.08)	(7,000.00)		
Parks & Recreation - for KRB	3,585.00	351.54	2,131.54	6,000.00		
Insurance Claims & Damages	123,776.48	0.00	0.00	0.00		
Total Revenue	**2,969,129.16**	**101,627.54**	**2,587,972.47**	**2,614,410.00**	**26,437.53**	**98.99%**
Expenditures						
General Government						
Administration						
Personnel & Benefits	435,217.35	25,224.22	289,695.73	222,373.00	(67,322.73)	Over Budget
Supplies	44,272.88	2,105.13	23,490.43	19,720.00	(3,770.43)	Over Budget
Maintenance & Repair	1,414.93	513.13	6,595.72	10,000.00	3,404.28	65.96%
Utilities	11,659.08	2,461.58	12,993.73	11,000.00	(1,993.73)	Over Budget
Professional Services	127,134.23	18,033.75	138,827.25	206,300.00	67,472.75	67.29%
Other Services	63,261.07	23.00	47,129.32	45,295.00	(1,834.32)	Over Budget
Capital Equipment	703.78	139.34	1,834.75	4,800.00	2,965.25	38.22%
Total Administration	**683,663.32**	**48,500.15**	**520,566.93**	**519,488.00**	**(1,078.93)**	**Over Budget**
Finance Department						
Personnel & Benefits	0.00	13,111.23	111,623.87	173,148.00	61,524.13	64.47%
Supplies	0.00	0.00	360.13	5,150.00	4,789.87	6.99%
Maintenance & Repair	0.00	0.00	0.00	2,800.00	2,800.00	0.00%
Utilities	0.00	0.00	577.25	0.00	(577.25)	Over Budget
Professional Services	0.00	67.70	53,667.99	47,500.00	(6,167.99)	Over Budget
Other Services	0.00	5,091.61	12,091.26	18,550.00	6,458.74	65.18%
Capital Equipment	0.00	0.00	0.00	1,200.00	1,200.00	0.00%
Total Finance Department	**0.00**	**18,270.54**	**178,320.50**	**248,348.00**	**70,027.50**	**71.80%**
Judicial						
Personnel & Benefits	63,268.15	6,716.50	54,454.31	64,196.00	9,741.69	84.83%
Supplies	3,292.97	49.98	1,814.34	2,650.00	835.66	68.47%
Utilities	409.97	0.00	144.93	500.00	355.07	28.99%
Professional Services	14,151.78	120.00	10,960.00	17,800.00	6,840.00	61.57%
Other Services	2,353.00	0.00	373.00	2,000.00	1,627.00	18.65%
Total Judicial	**83,475.87**	**6,886.48**	**67,746.58**	**87,146.00**	**19,399.42**	**77.74%**
Permitting & Inspections						
Personnel & Benefits	71,687.00	5,335.00	50,418.54	74,000.00	23,581.46	68.13%
Supplies	515.02	0.00	1,664.04	100.00	(1,564.04)	Over Budget
Maintenance & Repair	890.96	0.00	0.00	0.00	0.00	0.00%
Professional Services	3,630.00	0.00	2,588.18	3,000.00	411.82	86.27%
Other Services	10,714.79	0.00	640.98	1,650.00	1,009.02	38.85%
Total Permitting & Inspections	**87,437.77**	**5,335.00**	**55,311.74**	**78,750.00**	**23,438.26**	**70.24%**

10 General Fund	Prior YTD	Current Period	Current YTD	Annual Budget	Remaining Budget	% Earned/Used
Special Revenue Expenditures						
Supplies	12,333.44	0.00	1,960.31	0.00	(1,960.31)	Over Budget
Total Special Revenue Expenditures	**12,333.44**	**0.00**	**1,960.31**	**0.00**	**(1,960.31)**	Over Budget
Total General Government	**866,910.40**	**78,992.17**	**823,906.06**	**933,732.00**	**109,825.94**	**88.24%**
Public Safety						
Police Department						
Personnel & Benefits	745,572.57	92,575.10	843,392.37	807,737.00	(35,655.37)	Over Budget
Supplies	35,036.80	3,390.00	34,721.45	38,650.00	3,928.55	89.84%
Maintenance & Repair	26,371.14	468.25	30,477.58	23,800.00	(6,677.58)	Over Budget
Utilities	13,625.94	1,017.80	14,385.48	12,600.00	(1,785.48)	Over Budget
Professional Services	51,311.59	10,817.67	69,696.26	73,375.00	3,678.74	94.99%
Other Services	25,759.91	0.00	23,605.61	24,000.00	394.39	98.36%
Capital Equipment	4,650.07	374.20	4,743.32	4,700.00	(43.32)	Over Budget
Total Police Department	**902,328.02**	**108,643.02**	**1,021,022.07**	**984,862.00**	**(36,160.07)**	**Over Budget**
Fire Department						
Personnel & Benefits	20,946.45	6,270.00	12,021.96	26,300.00	14,278.04	45.71%
Supplies	10,695.82	0.00	21,332.44	15,400.00	(5,932.44)	Over Budget
Maintenance & Repair	44,939.62	0.00	104,503.48	104,599.00	95.52	99.91%
Utilities	3,477.16	645.99	3,405.06	3,600.00	194.94	94.59%
Professional Services	93,000.00	0.00	116,250.00	102,300.00	(13,950.00)	Over Budget
Other Services	16,206.51	750.00	14,986.29	15,500.00	513.71	96.69%
Capital Equipment	37,823.75	15,880.00	17,423.65	82,907.00	65,483.35	21.02%
Total Fire Department	**227,089.31**	**23,545.99**	**289,922.88**	**350,606.00**	**60,683.12**	**82.69%**
Code Enforcement						
Personnel & Benefits	45,356.32	5,115.65	34,955.47	47,730.00	12,774.53	73.24%
Supplies	1,083.96	0.00	0.00	1,000.00	1,000.00	0.00%
Professional Services	10,763.94	0.00	840.00	3,200.00	2,360.00	26.25%
Other Services	417.00	0.00	0.00	800.00	800.00	0.00%
Total Code Enforcement	**57,621.22**	**5,115.65**	**35,795.47**	**52,730.00**	**16,934.53**	**67.88%**
Total Public Safety	**1,187,038.55**	**137,304.66**	**1,346,740.42**	**1,388,198.00**	**41,457.58**	**97.01%**
Public Works						
City Maintenance						
Personnel & Benefits	90,910.48	19,096.09	119,252.30	144,389.00	25,136.70	82.59%
Supplies	14,343.38	(486.04)	8,525.03	13,600.00	5,074.97	62.68%
Maintenance & Repair	13,300.66	10,137.97	36,635.41	28,450.00	(8,185.41)	Over Budget
Utilities	32,693.21	4,714.60	31,705.31	30,800.00	(905.31)	Over Budget
Professional Services	63.00	0.00	0.00	0.00	0.00	0.00%
Other Services	3,897.15	14.06	6,222.96	4,900.00	(1,322.96)	Over Budget
Capital Equipment	34,243.87	6,747.95	28,876.95	26,776.00	(2,100.95)	Over Budget
Total City Maintenance	**189,451.75**	**40,224.63**	**231,217.96**	**248,915.00**	**17,697.04**	**92.89%**
Streets and Drainage						
Maintenance & Repair	89,957.39	0.00	0.00	0.00	0.00	0.00%
Capital Equipment	25,282.75	0.00	0.00	0.00	0.00	0.00%
Total Streets and Drainage	**115,240.14**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00%**
Emergency/Disaster						
Capital Equipment	0.00	0.00	2,925.95	0.00	(2,925.95)	Over Budget
Total Emergency/Disaster	**0.00**	**0.00**	**2,925.95**	**0.00**	**(2,925.95)**	**Over Budget**
Total Public Works	**304,691.89**	**40,224.63**	**234,143.91**	**248,915.00**	**14,771.09**	**94.07%**

10 General Fund	Prior YTD	Current Period	Current YTD	Annual Budget	Remaining Budget	% Earned/Used
Parks and Recreation						
Supplies	1,685.80	195.00	3,390.41	3,200.00	(190.41)	Over Budget
Maintenance & Repair	19,403.36	364.54	23,592.91	25,500.00	1,907.09	92.52%
Utilities	1,548.77	301.81	1,804.89	2,000.00	195.11	90.24%
Other Services	7,255.58	3,662.48	12,178.43	10,220.00	(1,958.43)	Over Budget
Capital Equipment	0.00	0.00	100.00	0.00	(100.00)	Over Budget
Total Parks and Recreation	**29,893.51**	**4,523.83**	**41,066.64**	**40,920.00**	**(146.64)**	**Over Budget**
Miscellaneous	0.00	(10,694.32)	72,087.14	113,367.00	41,279.86	63.59%
City Hall Promissory Note	0.00	(10,694.32)	0.00	21,389.00		
Development Agreements	0.00	0.00	72,087.14	91,978.00		
Total Expenditures	**2,388,534.35**	**250,350.97**	**2,517,944.17**	**2,725,132.00**	**207,187.83**	**92.40%**
Other Financing Sources and Uses						
Sources						
Transfers In	104,410.00	0.00	297,021.89	438,222.00	141,200.11	67.78%
Total Sources	**104,410.00**	**0.00**	**297,021.89**	**438,222.00**	**141,200.11**	**67.78%**
Uses						
Transfers Out	270,650.71	45,000.00	659,685.90	803,917.00	144,231.10	82.06%
Total Uses	**270,650.71**	**45,000.00**	**659,685.90**	**803,917.00**	**144,231.10**	**82.06%**
Total Other Financing Sources and Uses	**(166,240.71)**	**(45,000.00)**	**(362,664.01)**	**(365,695.00)**	**(3,030.99)**	**Ahead of Budget**
Total - 10 GENERAL FUND	**414,354.10**	**(193,723.43)**	**(292,635.71)**	**(476,417.00)**	**183,781.29**	**Ahead of Budget**

City of Richwood Operational Budget Report 10/1/2019 to 9/30/2020						
30 Water & Sewer Enterprise Fund	**Prior YTD**	**Current Period**	**Current YTD**	**Annual Budget**	**Remaining Budget**	**% Earned/Used**
Net Operating Income (Loss)						
Operating income						
Sewer Department	830,152.45	74,205.28	845,440.38	837,200.00	(8,240.38)	Ahead of Budget
Water Department	976,411.59	97,762.89	1,064,563.18	989,000.00	(75,563.18)	Ahead of Budget
Solid Waste Department	281,228.61	26,294.35	307,282.72	282,000.00	(25,282.72)	Ahead of Budget
Total Operating income	**2,087,792.65**	**198,262.52**	**2,217,286.28**	**2,108,200.00**	**(109,086.28)**	**Ahead of Budget**
Operating expense						
Sewer Department						
Personnel & Benefits	0.00	17,128.71	124,468.55	154,914.00	30,445.45	80.35%
Supplies	0.00	223.95	4,282.87	16,240.00	11,957.13	26.37%
Maintenance & Repair	49,595.38	1,100.95	21,527.59	83,770.00	62,242.41	25.70%
Utilities	0.00	0.00	0.00	23,200.00	23,200.00	0.00%
Professional Services	487,969.42	9,732.00	563,639.36	698,300.00	134,660.64	80.72%
Other Services	0.00	0.00	1,127.25	13,800.00	12,672.75	8.17%
Capital Equipment	0.00	0.00	9,480.00	14,300.00	4,820.00	66.29%
Total Sewer Department	**537,564.80**	**28,185.61**	**724,525.62**	**1,004,524.00**	**279,998.38**	**72.13%**
Water Department						
Personnel & Benefits	377,925.98	26,242.63	232,341.64	203,153.00	(29,188.64)	Over Budget
Supplies	44,343.80	827.62	33,337.14	26,300.00	(7,037.14)	Over Budget
Maintenance & Repair	72,888.26	4,009.36	60,080.99	75,470.00	15,389.01	79.61%
Utilities	57,319.24	11,876.75	64,397.39	30,100.00	(34,297.39)	Over Budget
Professional Services	19,890.36	67.71	22,438.66	35,000.00	12,561.34	64.11%
Other Services	306,460.66	23,265.00	348,511.42	19,250.00	(329,261.42)	Over Budget
Capital Equipment	3,658.37	601.54	4,384.40	0.00	(4,384.40)	Over Budget
Total Water Department	**882,486.67**	**66,890.61**	**765,491.64**	**389,273.00**	**(376,218.64)**	**Over Budget**
Solid Waste Department						
Personnel & Benefits	0.00	2,267.36	17,970.24	20,732.00	2,761.76	86.68%
Professional Services	269,610.69	43,971.93	257,004.87	270,000.00	12,995.13	95.19%
Total Solid Waste Department	**269,610.69**	**46,239.29**	**274,975.11**	**290,732.00**	**15,756.89**	**94.58%**
Total Operating expense	**1,689,662.16**	**141,315.51**	**1,764,992.37**	**1,684,529.00**	**(80,463.37)**	**Over Budget**
Total Net Operating Income (Loss)	**398,130.49**	**56,947.01**	**452,293.91**	**423,671.00**	**(28,622.91)**	**Over Budget**
Non-Operating Items						
Non-operating income						
Interest income	3,448.13	64.90	3,016.18	2,000.00	3,293.05	Ahead of Budget
Grants	16,950.00	0.00	35,778.00	0.00	35,778.00	Ahead of Budget
Other income	5,523.80	14.06	3,208.36	3,000.00	194.30	Ahead of Budget
Transfers In	186,650.71	0.00	60,000.00	14,400.00	45,600.00	Ahead of Budget
Total Non-operating income	**212,572.64**	**78.96**	**102,002.54**	**19,400.00**	**82,602.54**	**Ahead of Budget**
Non-operating expense						
Debt Service	197,983.02	0.00	269,085.12	342,129.00	73,043.88	78.65%
Transfers Out	4,086,688.69	0.00	26,682.21	262,000.00	235,317.79	10.18%
Total Non-operating expense	**4,284,671.71**	**0.00**	**295,767.33**	**604,129.00**	**308,361.67**	**48.96%**
Total Non-Operating Items	**(4,072,099.07)**	**78.96**	**(193,764.79)**	**(584,729.00)**	**390,964.21**	**Ahead of Budget**
Total - 30 Water & Sewer Enterprise Fund	**(3,673,968.58)**	**57,025.97**	**258,529.12**	**(161,058.00)**	**419,587.12**	**Ahead of Budget**

City of Richwood
TEXAS

AGENDA MEMORANDUM- NOVEMBER 9, 2020
ITEM # CONSENT

CONTACT: Patricia Ditto, Deputy Finance Director
Eric Foerster, City Manager

SUBJECT: Submission of Quarterly Investment Report- Quarter 4, FY 2019-2020

SUMMARY:
State law requires the City's investment officer to present an investment report to City Council on a quarterly basis. The relevant section of the Public Funds Investment Act is Chapter 2256. 023.Internal Management Reports. This chapter outlines information that must be reported along with the necessary certification signatures required by the Act. A copy 2256.023 is attached for your information.

BACKGROUND INFORMATION:
The Public Funds Investment Act (PFIA) Chapter 2256 governs the investment of government funds in Texas. Under this law, specific parameters are set for Texas cities, requiring them no less than quarterly, to provide the Council with a written report of investment transactions for all funds covered by this Chapter for the preceding reporting period. This report must include specific criteria as determined by the Act.

FISCAL IMPACT: None

RECOMMENDATION: Council to approve Quarterly Investment Report-September 30, 2020

City of Richwood
TEXAS

Portfolio	June 30, 2020 Book Value	June 30, 2020 Market Value	September 30, 2020 Book Value	September 30, 2020 Market Value
Cash	1,912,702.28	1,912,702.28	1,912,736.14	1,912,736.14
Investment Pools	7,932,782.86	7,932,782.86	6,439,193.17	6,439,193.17
Certificates of Deposits	515,884.77	515,884.77	516,572.12	516,572.12
TOTAL INVESTMENTS	10,361,369.91	10,361,369.91	8,868,501.43	8,868,501.43
Quarterly Investment Income				7,131.52
Weighted Average Yield				0.18%

Items of Note:

Withdrawals were made as follows:

From TexPool Prime account, $1,000,000, for cash flow for Streets Project

From Logic Util Fund Bond fund account, $500,000 for cash flow for North Water Plant project

The attached information comprises the quarterly investment report for the City of Richwood, Texas for the period ended November 30, 2020. The undersigned acknowledge that the City's investment portfolio has been and is compliance with the policies and strategies as contained in the City's Investment Policy and also in compliance with the Public Funds Investment Act of the State of Texas (Chapter 2256, Texas Government Code).

Patricia Ditto
Deputy Finance Director

Eric Foerster
City Manager

(979) 265 2082
info@richwoodtx.gov
1800 Brazosport Blvd. N.
Richwood, Texas 77531

Fountain Grass Park

Fountain Grass Park is an RV style park that currently hosts 30 park model trailers with a capacity to host 40 park model trailers. Current estimates of trailer occupation are 50% single occupation and 50% family occupation. Estimated wastewater amounts to be sent to Richwood daily basis are roughly 6000 gallons a day when park's 30 trailers are fully occupied. Estimates for wastewater amounts to be sent daily if park's 40 trailers are fully occupied is roughly 7700 gallons.

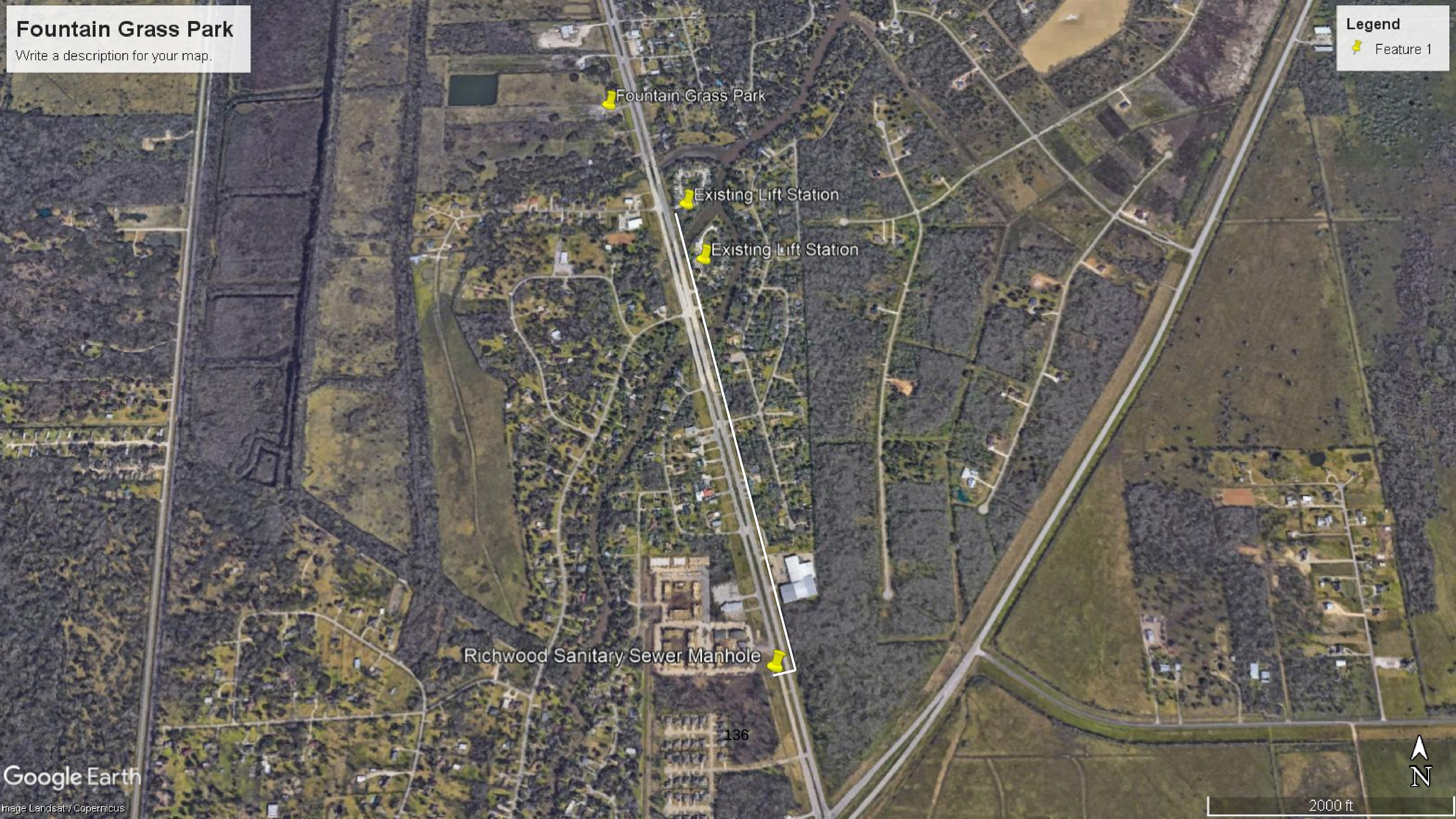
Single occupation wastewater amounts figured at 100 gallons per person, per day

Family occupation wastewater amounts figured at 100 gallons per 2.86 people (average family size in Texas), per day.

Fountain Grass Park

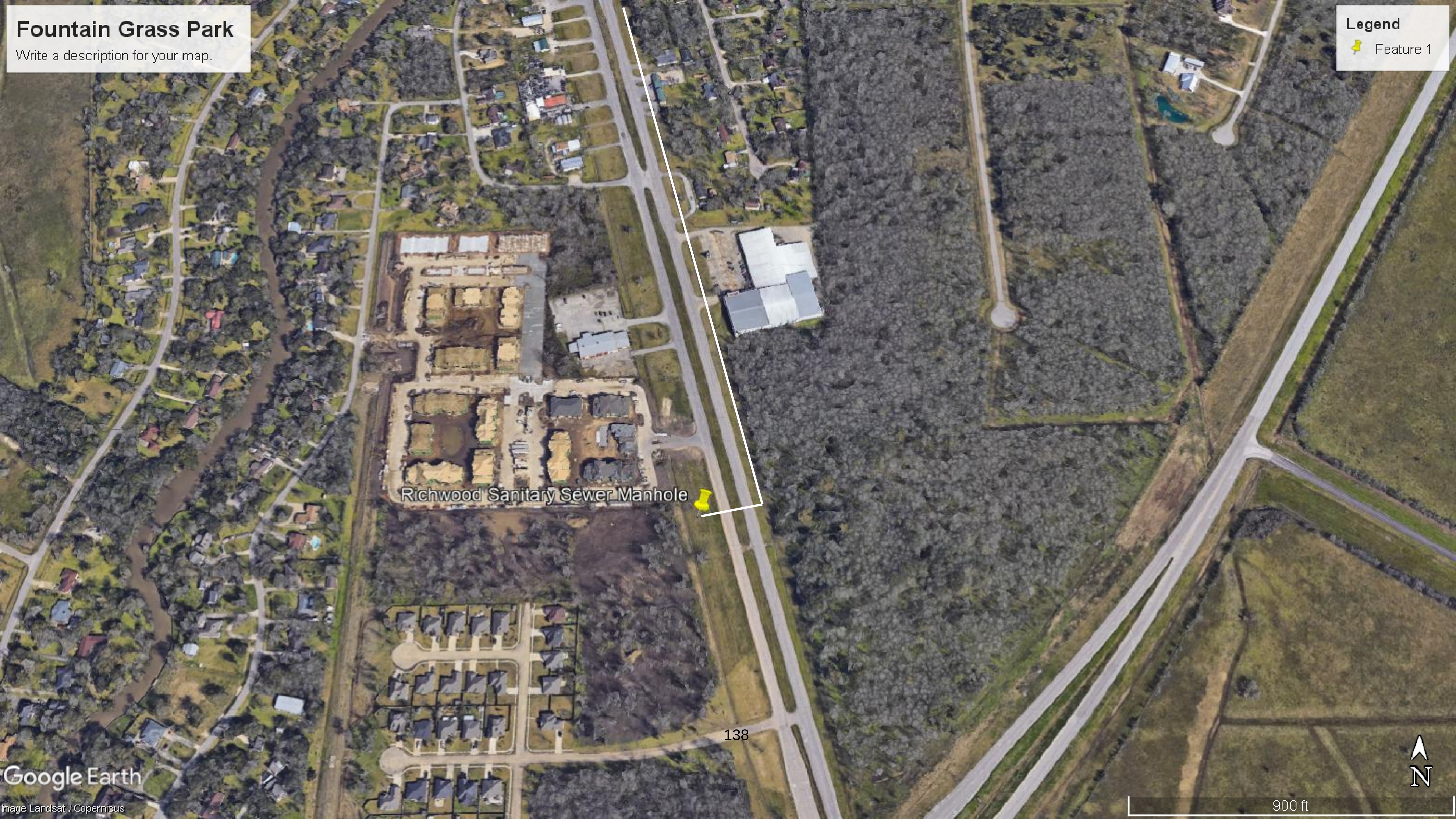
DEDICATED TO MAKING YOU FEEL AT HOME

Designed for you! Step into the hassle free lifestyle. Fountain Grass Park offers the convenience of all bills paid, weekly cleaning services, on-site laundry facility, no contract, and gated entry. We love our guests and strive to make them feel at home.



Fountain Grass Park
Write a description for your map.
Legend
Feature 1
Fountain Grass Park
Existing Lift Station
Existing Lift Station
Richwood Sanitary Sewer Manhole
Google Earth
Image Landsat / Copernicus
2000 ft
N

Fountain Grass Park
Write a description for your map.
Legend
Feature 1
Fountain Grass Park
Existing Lift Station
Google Earth
Image Landsat / Copernicus
600 ft
N


Fountain Grass Park
Write a description for your map.
Legend
Feature 1
Richwood Sanitary Sewer Manhole
138
Google Earth
Image Landsat / Copernicus
N
900 ft

MEMORANDUM

To: Richwood City Council

From: Clif Custer

Date: November 2nd, 2020

Subject: Accepting Wastewater from Fountain Grass Park

The owners of Fountain Grass Park have approached Richwood requesting to send wastewater from their location to Richwood's collection system as an alternative to an in-ground septic system that currently accounts for the parks wastewater capacity. I am asking Council to discuss and consider accepting wastewater from Fountain Grass Park.

Procedures for Grant Payments
CITY OF Richwood

INTERNAL CONTROLS
Whenever possible, written procedures will be established, maintained, and assessed per 2 CFR 200.303 by the Finance Director for all functions involving cash handling and/or accounting throughout the City. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement.

Whenever possible, the City ensures duties and responsibilities are segregated so that no one individual has complete authority over a financial transaction.

PROCEDURES FOR GRANT PAYMENTS
1. Invoice is received and, if necessary, a request for payment is prepared by grant consultant and proper signatures obtained from City Manager authorized in original grant approval. Finance Director's office reviews the invoice and compares it to the grant budget.

2. Invoice must be approved by a city official involved in the grant implementation or the Mayor. Approval is acknowledged by initialing the original invoice or through Council action.

3. Once grant funds are received and invoice approval acknowledged by signature on the original invoice, a demand check is entered into the system by the Finance Director's office, then printed and disbursed by the City Secretary. Both Mayor and City Secretary signature appear on the approved checks. Checks are then disbursed to the appropriate vendors. The Finance Director is responsible for ensuring that checks are signed and disbursed within five (5) calendar days for the Texas Department of Agriculture and three (3) calendar days for the Texas General Land Office of receiving grant funds.

4. Copies of the request for payment, invoice, canceled check copy and bank statement showing receipt of grant money is retained in the grant file in the City Secretary's office.

The City Manager and Finance Director authorize payments and issues of checks. Two signatures are required on each check, either the Mayor, City Manager, or City Secretary. The Finance Director is responsible for reconciling the monthly bank statements.

ADVANCE PAYMENT PROCEDURES
All advanced payments using federal grant funds will be disbursed within five (5) calendar days for the Texas Department of Agriculture and three (3) calendar days for the Texas General Land Office from the date of the transfer of funds in accordance with 2 CFR 200.305(b), and in accordance with the provisions in the contract with the vendor.

Advance payments of federal grant funds will be deposited and maintained in a separate insured account. The City will maintain advance payments of federal awards in interest-bearing accounts, unless the following apply: City receives less than $120,000 in Federal awards per year; the City is not expected to earn interest in excess of $500 per year on Federal cash balances; or the depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources. (2 CFR 200.302(b)(6) and 200.305)

These Policies and Procedures are implemented through of the City of Richwood's administrative team of:

LIST TITLES HERE

__City Manager_______________________

__City Secretary_______________________

__Finance Director____________________

____

____

____ ____________________

Steve Boykin, Mayor Date

ORDINANCE NO. 19-446

AN ORDINANCE AMENDING SECTION 17–7 LOCATION RESTRICTIONS OF SIGNS OF THE RICHWOOD CODE OF ORDINANCES TO AMEND THE NUMBER OF SIGNS THAT MAY BE LOCATED A BUSINESS SITES IN A B-1 ZONE; PROVIDING FOR AN EFFECTIVE DATE; PROVIDING FOR A PENALTY; PROVIDING FOR SEVERABILITY; AND PROVIDING THAT THIS ORDINANCE SHALL BE IN EFFECT IMMEDIATELY UPON ITS PASSING.

WHEREAS, the City of Richwood finds that the original ordinance adopted in 1981 does not regulate signage for business sites;

WHEREAS, the City of Richwood finds it necessary to amend the sign ordinance to clarify requirements for businesses;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF RICHWOOD THAT:

Section 1. That Section 17-7 Location Restrictions is hereby amended to read:

Sec. 17-7. – Location Restrictions.

An outdoor advertising display *sign* shall not be erected, constructed or maintained so as to obstruct any fire escape or any window or door or opening used as a means of egress or so as to prevent fire passage from one part of a roof to any other part thereof. A *sign* shall not be attached in any form, shape or manner to a fire escape, nor be placed in such manner as to interfere with any opening required for legal ventilation.

An outdoor advertising display *sign* shall not be erected, constructed or maintained as to obstruct any fire escape or any window or door or opening used as a means of egress or so as to prevent fire passage from one part of a roof to any other part thereof. A *sign* shall not be attached in any form, shape or manner to a fire escape, nor be placed in such manner as to interfere with any opening required for legal ventilation.

Snipe *signs*, except garage sale *signs*, which if posted on their own support, may be displayed for two days.

If the posted speed limits are greater than 45 mph the same formula shall apply to a maximum of 192 square feet. Such *signs* are not to exceed 50 feet in height.

Business sites, except as noted below, shall be limited to one (1) freestanding sign.(3)Multiple business sites (not located in B-1 Zones) of three (3) acres or more that have frontage of three hundred (300) feet or more on 288B or FM 2004 shall be allowed a maximum of three (3) freestanding signs. Only one (1) of the freestanding signs may exceed a height of ten (10) feet.(4)Multiple business sites (not located in B-1 zones) of eight (8) acres or more shall be allowed a maximum of two (2) freestanding signs. Each sign shall meet the area and height requirements as stated above.

Section 2. That if any provision of this ordinance or application thereof to any person or circumstance is held invalid by any court, such holding shall not affect the validity of the remaining portions of this ordinance, and the City Council of the City of Richwood, Texas, hereby declares that it would have enacted such remaining portions despite any such invalidity.

Section 3. Penalty. Any person who violates this article shall be guilty of a misdemeanor, and upon conviction thereof shall be fined as provided in section 1-6 of the Code of Ordinances of the City of Richwood

Section 4: Effective date. The city secretary shall publish the caption of this ordinance and this ordinance shall be effective and in full force immediately upon its passing and adoption.

Section 5. That this ordinance shall be effective immediately upon adoption.

Passed and adopted on this 9th day of November, 2020.

____
Steve Boykin, Mayor

ATTEST:

____
Kirsten Garcia, City Secretary

APPROVED AS TO FORM:

____
City Attorney

AGENDA MEMORANDUM
ITEM

CONTACT: Kimberly Mayer, Executive Director, KRB

SUBJECT: Amending Sign Ordinance

SUMMARY: Keep Richwood Beautiful is asking that Council approve an amendment to allow strict limits on quantity of signs per business and quantity of signs per side/property frontage.

BACKGROUND INFORMATION: Earlier this year I presented the idea to Council that Keep Richwood Beautiful should complete the certification process from Scenic City; a non-profit that supports and recognizes Texas municipalities that implement high-quality scenic standards for public roadways and public spaces. They state that cities with strong scenic standards reflect civic pride, benefit from a solid sense of community character and are well positioned for growth.

ISSUE: One of the minimum requirements to apply and receive certification is that The City of Richwood have an ordinance with strict limits on **quantity** of signs per business and **quantity** of signs per side/property frontage. The City of Richwood does not currently have an ordinance that is specific to the **quantity** of signs per business.

FISCAL IMPACT: None

RECOMMENDATION: Council to approve amendment to Ordinance

Thank you,

Kimberly Mayer

Freedom Park Monuments


Freedom Park


In Honor and Remembrance
of the
heroes and victims of September 11, 2001
and to celebrate
the enduring spirit of all Americans
Presented by members of
Woodmen of the World Life Insurance Society
September 11, 2002


PAT FORREST


Bobby Ford
Park
Richwood, Texas


Bobby Ford Park
Write a description for your map.
Legend
Google Earth
Image Landsat / Copernicus
100 ft
N

MEMORANDUM

To: Richwood City Council

From: Clif Custer

Date: November 2nd, 2020

Subject: Moving Freedom Park Memorials and Monuments to Bobby Ford Park

Currently Richwood Fire Department has been given permission to use the Freedom Park space for purposes of Fire Fighter training. Monuments and memorials within Freedom Park require a new location.

I am requesting Council discussion and possible action regarding the relocation of all monuments and memorials currently at Freedom Park to Bobby Ford Park.