

## RESOLUTION

### **RESOLUTION AMENDING FINANCIAL BUDGETARY POLICIES ADOPTED BY RESOLUTION033727; AND PROVIDING FINANCIAL POLICY DIRECTION ON PREPARATION OF THE FY 2026 OPERATING AND CAPITAL BUDGETS.**

**WHEREAS**, the City Council adopted a Financial Policy in September 2025 by Resolution033727; and

**WHEREAS**, as a result of this policy, the City achieved its goal for the General Fund balance and desires now to articulate a strategy to maintain a General Fund balance and to utilize any surplus balance to provide for enhanced financial stability in future years, and also desires to manage fund balances of the Internal Service Funds, Enterprise Funds, the Combined Utility Reserve Fund, and Debt Service Reserve Funds; and

**WHEREAS**, this policy provides an essential guide to direct financial planning and to maintain and strengthen the City's bond rating; and

**WHEREAS**, it has been the City's practice to reaffirm its financial policy or to adopt a new or modified policy annually in conjunction with preparation of the budget and prior to presenting the Proposed Budget to the City Council.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CORPUS CHRISTI, TEXAS:

The Financial Budgetary Policies adopted by Resolution 033727 are amended to read as follows:

**Section 1. Development / Effective Date of Financial Budgetary Policy.** This Financial Budgetary Policy reaffirms and amends the financial policies adopted each year by the City Council since 1997. The City Manager is directed to prepare each annual proposed budget in accordance with this policy. The City Council is prepared to make expenditure reductions that may be necessary to comply with this policy. This Financial Budgetary policy remains in effect and applies to future annual budget preparation processes until amended by City Council resolution.

**Section 2. Recurring Revenues / Recurring Expenditures.** General Fund recurring revenues and funds available from all sources will equal or exceed recurring expenditures.

**Section 3. General Fund Balance.** To ensure that current and future services or operations are not severely impacted by any economic slowdowns, emergencies, natural disasters or other unforeseen circumstances, adequate financial resources will be set aside in the General Fund unassigned fund balance. It is the goal of the City Council to maintain a reserve in the General Fund of an unassigned fund balance of 20% of regular General Fund operating expenditures, exclusive of any one-time appropriations. The amount calculated to be 20% of regular General Fund operating expenditures, exclusive of any one-time appropriations, will be Reserved for Major

Contingencies in a separate account upon completion of the Annual Comprehensive Financial Report (ACFR). The City Manager shall report on the status of compliance with this policy at least annually as part of the budget process. Uncommitted fund balance in excess of the policy requirement may be recommended for expenditure by the City Manager. Finally, it is noted that extraordinary situations may arise in which the timing of external actions out of the City's control may require the use of the unassigned fund balance. The City Manager shall note these situations to the City Council as soon as the information is known.

#### **Section 4. Other Committed Fund Balances.**

**4.1 Internal Service Funds.** To ensure that current and future services or operations are not severely impacted by any economic slowdowns, emergencies, natural disasters or other unforeseen circumstances, it is the goal of the City Council to build and maintain an unassigned reserve in each Internal Service Fund listed below, of up to five percent (5%) of the annual Internal Service Fund appropriations, exclusive of any one-time appropriations. Any amount in excess of five percent (5%) will be returned to the paying Funds or used for one-time expenditures. Subsection 4.1 only applies to the Information Technologies Internal Service Fund; Contracts and Procurement Internal Service Fund; Engineering Services Internal Service Fund; Fleet Maintenance Internal Service Fund; and Facilities Maintenance Internal Services Fund.

**4.2 Group Health Plans.** It is a goal of the City to maintain a fund balance in the group health plans to (1) pay any associated administrative costs and claims run-out based upon the most recent actuarial study in the event the plan ceases or a change in the third-party administrator is made; and to (2) hold a reserve for catastrophic claims equaling 10% of projected medical and prescription claims.

**4.3 General Liability Fund.** It is a goal of the City to maintain a fund balance in the General Liability Fund (1) to fund long-term liabilities, incurred but not reported expenses (IBNR), and a risk margin for the adverse development of claims as determined by the actuarial recommendation and reflected in the Comprehensive Annual Financial Report; (2) to provide additional protection against significant unexpected claims experience in the fiscal year as a catastrophic reserve equaling 25% of the average incurred costs of claims experience over the prior five-year period; and (3) to protect against significant cost increases in the fiscal year for purchased insurance coverage premiums equaling 25% of the cost for purchased insurance over the prior year.

**4.4 Worker's Compensation Fund.** It is a goal of the City to maintain a fund balance in the Worker's Compensation Fund (1) to fund long-term liabilities, incurred but not reported expenses (IBNR), and a risk margin for the adverse development of claims as determined by the actuarial recommendation and reflected in the Comprehensive Annual Financial Report; and (2) to protect against significant unexpected claims experience in the fiscal year as a catastrophic reserve equaling 25% of the average of incurred costs of claims experience over the prior five-year period.

**4.5 Enterprise Funds.** To ensure that current and future services or operations are not severely impacted by any economic slowdowns, emergencies, natural disasters or other unforeseen circumstances, it is the goal of the City Council to build and maintain a reserved fund balance in each of the Enterprise Funds of a maximum of twenty-five

percent (25%) of the annual Enterprise Fund appropriations, exclusive of any one-time appropriations, and anything over that amount shall be designated for specific purpose(s). Subsection 4.5 only applies to Water, Wastewater, Gas, Storm Water, Airport, and Marina fund balances.

**4.6 Debt Service Reserve Fund.** The City will strive to maintain a debt service fund balance for bonds, certificates of obligation, tax notes, and other debt instruments of at least two percent (2%) of the annual debt service appropriation(s) for the fiscal year; provided, however, this requirement shall comply with the provision of Treasury Regulation 1.148-2(f) which limits the amount of reserve funds that may secure the payment of debt service on bonds.

**Section 5. Liabilities for Other Post-Employment Benefits, Accrued Compensated Absences and Net Pension Liability.** For financial reporting purposes, the City will record liabilities for Other Post-Employment Benefits, Accrued Compensated Absences and Net Pension Liability according to guidance of the Governmental Accounting Standards Board. These liabilities will be funded on a pay-as-you-go basis, and thus will not be included in the minimum fund balances of the affected funds.

**Section 6. Property Tax Rate for Operations and Maintenance.** Each proposed annual budget shall be prepared assuming that the City will be adopting a tax rate necessary to be in compliance with Section 2 above. Full consideration will be given to achieving the "no new-revenue maintenance and operations tax rate" for maintenance and operations when assessed property values decrease, and full consideration will be given to maintaining the current tax rate when assessed properties values increase, as long as the tax rate does not exceed the "voter approval tax rate" (which is the rate that allows the City to raise the same amount of maintenance and operation revenue raised in the prior year, excluding new property, with a 3.5% increase.)

**Section 7. Funding Level from General Fund for Street Maintenance.** The General Fund will contribute the higher of 6% of General Fund revenue less grants, industrial district revenue and any transfer to Residential Streets or \$10,818,730 for Street Maintenance. In addition, the City must include 5% of industrial district revenue in the Street Maintenance Fund.

**Section 8. Funding Level from General Fund for Residential Street Reconstruction Fund.** In order to develop a long-term funding mechanism for capital improvements related to residential/local streets, implement the following:

1. The City must include 5% of industrial district revenue in the Residential Street Reconstruction Fund.
2. Transfer 1% of the General Fund revenues less:
  - Grants
  - Industrial District revenue, and
  - Any General Fund transfer to Residential Streets Reconstruction Fund
3. At a Special City Election in November 2016 Corpus Christi voters voted to create a dedicated fund to be used solely for residential street

reconstruction and the city council was authorized each year to levy, assess and collect a property tax not to exceed six cents (\$0.06) per one hundred dollars (\$100.00) of assessed value for the purpose of residential street reconstruction to be deposited in such fund. Said taxes shall be used solely for the purpose of residential street reconstruction, including associated architectural, engineering and utility costs, and shall be implemented gradually at a rate not to exceed two cents (\$0.02) per one hundred dollars (\$100.00) of assessed value per year. For the purposes of this provision, the term "reconstruction" is defined as removing all or a significant portion of the pavement material and replacing it with new or recycled materials. The dedicated fund established by this section may not be used for payment of debt service. The City Council approved two cents (\$0.02) per one hundred dollars (\$100.00) of assessed value for fiscal year 2018-2019 and two cents (\$0.02) per one hundred dollars (\$100.00) of assessed value for fiscal year 2019-2020 for the purpose of residential street reconstruction. The final two cents have not been approved by City Council to date. .

**Section 9. Funding of Texas Municipal Retirement System (TMRS) Contributions.**

It is a goal of the City Council to maintain the fully funded contribution rate to TMRS to fund the general City employees' and sworn police officers' pension.

**Section 10. Funding of Corpus Christi Fire Fighters' Retirement System (CCFFRS).**

Whereas, pursuant to a Special Task Force appointed by the City Manager, it is a goal of the City to, over time, adequately fund the CCFFRS so that its funding ratio is in line with the funding ratio of TMRS for general City employees and sworn police officers.

**Section 11. Priority of City Services.** The City Council recognizes the need to provide public services which support the continued growth of the local economy and personal income growth to insure an adequate financial base for the future.

**Section 12. Operating Contingencies.** The City Manager may budget up to \$500,000 per year as an operating contingency as part of General Fund expenditures in order to further insulate the General Fund unreserved fund balance from unforeseen circumstances. At fiscal year-end, any unspent operating contingency funds will be transferred to a separate Stabilization Fund. Unspent operating contingency funds will be transferred annually until a reserve equivalent to 5% of recurring General Fund operating expenditures, exclusive of any one-time appropriations, has been met. Up to 2% of annual appropriations for operating contingencies may be budgeted, as deemed necessary, in enterprise, internal service, and special revenue funds of the City.

**Section 13. Multi-year Budget Model.** Whereas many of the City's fiscal goals require commitment and discipline beyond the one year considered within the City's fiscal year, the City will also consider adoption of business plans necessary for the accomplishment of City short term or long-term goals. These business plans will be presented and recommended to the City Council in the proposed annual operating budget and shall be used for development of future budget recommendations as necessary to accomplish these goals. The City shall also maintain business plans and/or rate models for enterprise operations. Preparation of the annual budget will include model for years two and three, with specific revenue and expenditure assumptions and with respect to the debt horizon.

**Section 14. Water and Wastewater Rates.** As part of the budget process, City Council shall annually review Water and Wastewater rates and adjust accordingly, with any rate changes going into effect January 1 of the following year.

**Section 15. Cost Recovery.** The City may recover costs in the General Fund by charging other funds for administrative costs incurred to support their operations. The City shall attempt to pursue and maintain a diversified and stable revenue stream for the General Fund in order to shelter finances from short term fluctuations in any one revenue source. In order to meet the requirements outlined herein, every effort will be made to base rates on a cost of service model, so costs incurred for certain services are paid by the population benefiting from such services.

**Section 16. Quarterly Financial Reporting and Monitoring.** The City Manager shall provide interim financial performance reports and updates to the City Council on a quarterly basis. These interim reports must include detailed year to date revenue and expenditure estimates, as well as explanations for major variances to budget. The format of the quarterly report must be relatively consistent with the adopted budget. Quarterly financial reports shall include a summary of fund balances for each fund and a statement regarding compliance with these financial policies, where applicable.

**Section 17. Use of Nonrecurring Revenue.** The City shall endeavor to use nonrecurring revenue to fund one-time expenditures. Nonrecurring revenue may include items such as sale of fixed assets, court settlements, or revenue collection windfalls.

**Section 18. Debt Management.** The City Manager shall adhere to the Debt management Policy adopted by Resolution 028902 on December 14, 2010 and reaffirmed by Resolution 029321 on December 13, 2011.

**Section 19. Texas Ambulance Supplemental Payment Program (TASPP).** Annual payment shall be applied exclusively to the Fire Department Budget for one-time expenditures and/or to cover budget overruns by the Fire Department in respective fiscal year.

**Section 20. Capital Improvement Plans/Funding.** The City Manager shall provide quarterly updates to the City Council on Capital Improvement Projects and post these updates on the City website. The annual Capital Improvement Plan (CIP) shall follow a similar cycle as the Operating Budget. As part of the annual capital budget process, the City shall update its short and long-range capital improvement plans. Due to the limited amount of available funds, the CIP serves to establish a priority for the many necessary projects. Therefore, the CIP will be updated annually in order to incorporate the changing priorities, needs and funding sources. As part of a concerted effort to improve financial flexibility, it is authorized that all interest and other revenues relating to Capital Funds will be appropriated at the beginning of each fiscal year and become part of those funds to be used for capital project expenditures. Additionally, the City shall pursue pay-as-you-go funding for maintenance-type capital costs to the extent possible. The CIP is a necessary tool in the capital planning process, and shall be organized as follows:

1. **ANNUAL CAPITAL BUDGET:** This is the first year of the short-range CIP and shall be fully funded. All approved projects must have corresponding funding resources identified by individual project. Projects added to the

approved annual Capital Budget shall require City Council approval.

2. **SHORT RANGE CIP:** A schedule of capital expenditures to be incurred over the current annual Capital Budget plus two (2) additional years. The short-range plan projects must have programmed funding with corresponding funding resources identified by individual project. Any projects that include projected increases to operating costs for programmed facilities will be notated. A review of all CIP encumbrances will be done annually. Any encumbrance that does not represent a true commitment will be returned to reserves.
3. **LONG RANGE CIP:** The long-range plan extends for an additional seven years beyond the short range, for a complete plan that includes ten years. The long-range CIP projects must have realistic planned funding tied to the projects.

**Section 21. Capital Improvement Future Bond Design Funding.** To have more accurate cost estimates for CIP General Obligation Bond projects and to lessen the impact from annual inflation, design and engineering costs should be included in Bond elections for constructions projects. The General Obligation Bond for construction funding should be placed in the following Bond Election cycle.

**Section 22. Capital Improvement Annual Close-out.** No less than annually, all Capital Funds will be reconciled by City Staff.

1. Voter-approved Debt – Capital Improvement Plan funds associated with voter-approved debt shall be brought to City Council when all projects in the Fund are deemed complete for review and recommendation on use of any remaining funds. Funds may be held in the short-term to complete projects or may be assigned to other projects as allowed by bond language.
2. Utility Revenue Debt – Capital Improvement Plan funds associated with utility bond debt shall be brought to City Council in a report comparing budget to actuals when a utility bond issuance is deemed complete. Funds may be held in the short-term to complete projects or may be assigned to other projects as allowed by bond language.

**Section 23. Expenditures.** Within the limitation of public service needs, statutory requirements and contractual commitments expenditures included in the operating budget shall represent the most cost-efficient method to deliver services to the citizens of Corpus Christi. Efforts to identify the most cost-efficient method of service delivery shall continue during the fiscal year after the operating budget is adopted and may be implemented during the fiscal year as necessary and of benefit to the public.

**Section 24. Line-Item Budget Review Process.** During the preparation of the City's operating budget, City staff shall perform a line-item budget review of departmental budgets.

**Section 25. Drought Surcharge Exemption Fund.** Beginning in Fiscal Year 2018-2019

The Drought Surcharge Exemption Fees collected from large-volume industrial customers pursuant to Ordinance 031533 shall be dedicated for development of a drought-resistant water supply and shall not be used for operation and maintenance costs of any water supply, treatment facility or distribution system. The Drought Surcharge Exemption Fees paid to the City will be accounted for and reserved in a separate Drought Surcharge Exemption Fund and used only for capital costs to develop and/or acquire an additional drought-resistant water supply including but not limited to, payment of debt for an allowable capital project.

**Section 26. Park Development Fund.** Expenditures shall be used for the acquisition of land for a public park and/or construction improvements for a public park including utility extensions required to serve recreational areas. Revenues come from a Park Development Fee in lieu of land dedication and earnings on investments. Revenues are authorized to be appropriated at the beginning of each fiscal year and will be restricted as per current City codes and ordinances and unspent appropriations will carry over from fiscal year to fiscal year.

**Section 27. Budget Controls.** Budgetary compliance is an important tool in managing and controlling governmental activities, as well as ensuring conformance with the City's budgetary limits. Budgetary controls, levels at which expenditures cannot legally exceed appropriated amounts, are established within individual funds. The City utilizes an encumbrance system of accounting as one mechanism to accomplish effective budgetary controls. Encumbrances at year end which represent a true commitment are generally added to the budget.

PASSED AND APPROVED on the \_\_\_\_\_ day of \_\_\_\_\_, 2026.

ATTEST:

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Paulette Guajardo, Mayor

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Rebecca Huerta, City Secretary