

FINANCIAL POLICIES

September 11, 2018



GENERAL FUND

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Section 3. General Fund Balance/Working Capital. It is the goal of the City Council to build and maintain a reserve in the General Fund unassigned fund balance which totals at least two months (or approximately 17%) of regular general fund operating expenditures up to 25% of total annual General Fund appropriations.



INTERNAL SERVICE FUNDS

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Section 4. Other Committed Fund Balances

4.1 Internal Service Funds. It is the goal of the City to build and maintain a reserve in each Internal Service Fund listed below of three percent (3%), and a maximum of an additional two percent (2%), for a total of five percent (5%) of the annual Internal Service Fund appropriations, exclusive of any one-time appropriations. This subsection only applies to the Information Technologies, Stores, Engineering Services, Fleet Maintenance, and Facilities Maintenance Funds.

4.2 Group Health Plans. It is the 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; and to (2) cover any differences between revenues budgeted to cover projected claims expense for the fiscal year and the attachment point calculated at 110% of projected claims expense as a catastrophic reserve.

Suggested change:

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) ~~cover any differences between revenues budgeted to cover projected claims expense for the fiscal year and the attachment point calculated at 110% of projected claims expense as a catastrophic reserve.~~ hold a reserve for catastrophic claims equaling 10% of projected medical and prescription claims.



4.3 General Liability Fund. It is the 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 recommendations and 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 Workers' 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 recommendations 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.

ENTERPRISE FUNDS

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Section 4.5 Enterprise Funds. It is the goal of the City to build and maintain an unreserved fund balance in each of the Enterprise Funds of a *maximum of* twenty-five percent (25%) of the annual Enterprise Fund appropriations, exclusive of debt service and any one-time appropriations, and anything over that amount shall be designated for specific purpose(s). This subsection only applies to Water, Wastewater, Gas, Stormwater, Airport, and Marina fund balances.

STREET FUNDS

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Section 7. Funding Level from General Fund for Street Maintenance. 6.00% of General Fund revenue less grants from the annual adopted operating budget or \$10,818,730, whichever is greater. Beginning in Fiscal Year 2015-2016, the funding level will be 6% of General Fund revenue less grants and industrial district revenue or \$10,818,730, whichever is greater. Additionally, beginning in Fiscal Year 2015-2016, 5% of industrial district revenue will be transferred to the Street Maintenance Fund.

Proposed Additions:

Beginning in Fiscal Year 2018-2019, the funding level will be 6% of General Fund revenue less grants, industrial district revenue and any property taxes passed through the General Fund and transferred to the Residential Street Reconstruction Fund or \$10,818,730, whichever is greater.

Section 8. Funding Level from General Fund for Residential Street Reconstruction Fund.

1. For 3 years beginning in Fiscal Year 2014-2015, appropriate \$1,000,000 each year from the uncommitted fund balance of the General Fund and transfer to the Residential Street Reconstruction Fund.
2. Beginning in Fiscal Year 2015-2016, appropriate and transfer 5% of industrial district revenue to the Residential Street Reconstruction Fund.
3. In Fiscal Year 2020-2021, transfer 1/3 of one percent of the General Fund revenue less grants and industrial district revenue to the Residential Street Reconstruction Fund.
4. In Fiscal Year 2021-2022, transfer 2/3 of one percent of the General Fund revenue less grants and industrial district revenue to the Residential Street Reconstruction Fund.
5. In Fiscal Year 2022-2023 and thereafter, transfer 1% of the General Fund revenue less grants and industrial district revenue to the Residential Street Reconstruction Fund.

OTHER ITEMS INCLUDED IN FINANCIAL POLICY

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- Development/Effective Date of Financial Budgetary Policy
- Property Tax Rate for Operations and Maintenance
- Funding of Texas Municipal Retirement System (TMRS) Contributions
- Operating Contingencies
- Debt Management
- Capital Improvement Plans/Funding
- Expenditures
- State Hotel Occupancy Tax (HOT) Fund

