

# Richwood

TEXAS



**FISCAL YEAR 2024  
APPROVED  
FINANCIAL BUDGET**



# **City of Richwood**

**1800 Brazosport Blvd N  
Richwood, TX 77531**

**(970) 265-2082    ●    [www.richwoodtx.gov](http://www.richwoodtx.gov)**



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Richwood  
Texas**

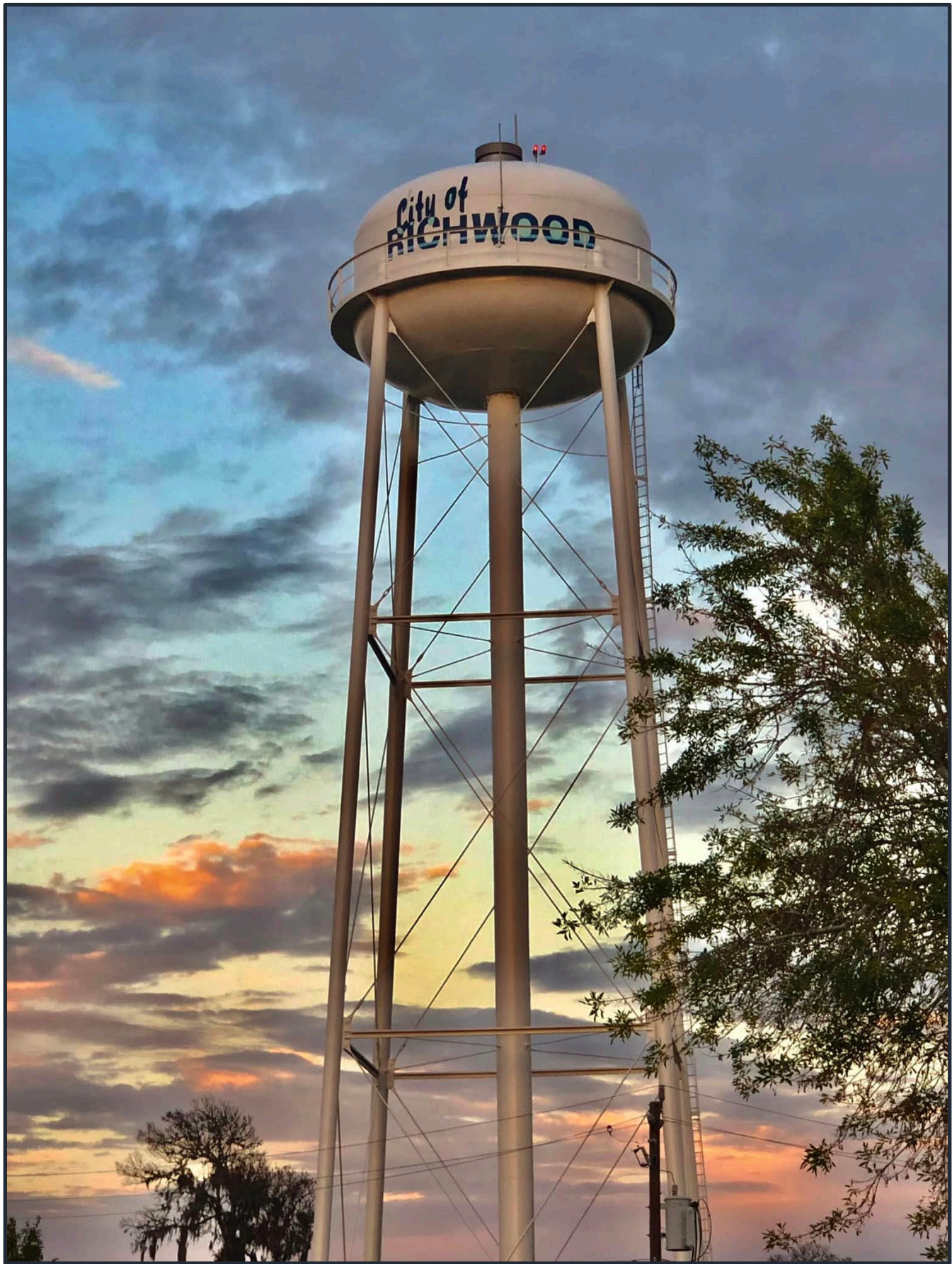
For the Fiscal Year Beginning

**October 01, 2022**

*Christopher P. Morill*

Executive Director









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**CITY OF RICHWOOD**  
**Fiscal Year 2023-2024**  
**Budget Cover Page**

This budget will raise more revenue from property taxes than last year's budget by an amount of \$170,610, which is a 6.83 percent increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$64,565.

The members of the governing body voted on the budget as follows:

- For:** Michael Johnson, Council Person Position 1  
Amanda Reynolds, Council Person Position 3  
Rory Escalante, Council Person Position 4  
Jeremy Fountain, Council Person Position 5
- Against:** Michael Challenger, Council Person Position 2

**Present and not Voting:** Michael Durham, Mayor

**Absent:** none

**Property Tax Rate Comparison**

	<u><b>2023-2024</b></u>	<u><b>2022-2023</b></u>
Property Tax Rate:	\$0.540587/100	\$0.606810/100
No New Revenue Tax Rate:	\$0.505837/100	\$0.589833/100
No New Revenue Maintenance & Operations Tax Rate:	\$0.407073/100	\$0.473104/100
Voter Approval Tax Rate:	\$0.522178/100	\$0.606810/100
Debt Rate:	\$0.098764/100	\$0.116729/100

Total debt obligation for CITY OF RICHWOOD secured by property taxes:  
\$ 490,104.

**Additional financial information can be found at**

[Finance – City of Richwood, Texas \(richwoodtx.gov\)](http://richwoodtx.gov)



## ***RICHWOOD, TEXAS ~ FOCUSED ON THE FUTURE***



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 now exceeds 5,000

people with a tax base in excess of 360,400,000.

From its humble beginnings in 1957 to its present evolution, 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. Richwood lies within the Brazosport Independent School District (BISD). Polk Elementary is the only public school within the city. Richwood is also the home to Our Lady Queen of Peace Catholic School and the Brazos Learning Montessori School. 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.

Neighboring Lake Jackson is the retail center of the area and enjoys the sales tax revenue that it brings. In addition, Dow Chemical and other industrial plants provide large tax bases for cities near Richwood. Without these large revenue sources, the city of Richwood relies heavily on property tax revenue from local businesses and homeowners to fund the operations of the city.



# CITY GOVERNMENT



Back: Michael Challenger, Mike Johnson, Jeremy Fountain.

Front: Amanda Reynolds, Michael Durham, Rory Escalante

## RICHWOOD CITY COUNCIL

<b>Mayor</b>	<b>Michael Durham</b>	<b>Term ends 2025</b>
<b>Council Member Place 1</b>	<b>Mike Johnson</b>	<b>Term ends 2024</b>
<b>Council Member Place 2</b>	<b>Michael Challenger</b>	<b>Term ends 2025</b>
<b>Council Member Place 3</b>	<b>Amanda Reynolds</b>	<b>Term ends 2025</b>
<b>Council Member Place 4</b>	<b>Rory Escalante</b>	<b>Term ends 2024</b>
<b>Council Member Place 5</b>	<b>Jeremy Fountain</b>	<b>Term ends 2024</b>

**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. Each year, 3 positions come for election. Council members are limited to three consecutive terms. 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. Meetings are open to the public and are live streamed for the convenience of our citizens.



## ***ADMINISTRATIVE STAFF***

The city of Richwood administration operates out of Richwood City Hall at 1800 Brazosport Blvd, Richwood. Also housed within City Hall is the Richwood Police Department and the Municipal Court.



**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*



# CITY OF RICHWOOD STATISTICS



<b>Incorporation</b>	
Date of Incorporation	1957
<b>Form of Government</b>	Council/Manager
<b>City Officials</b>	Mayor and (5) Council Members
<b>Number of Full Time Employees</b>	25
<b>Area in Square Miles</b>	4.75
<b>Population per 2020 Census</b>	4,781
<b>Median Resident Age</b>	31.1
<b>Median Household Income</b>	\$67,500
<b>Average Household Size</b>	3.27
<b>Average Assessed Home Value</b>	\$247,817





## ***THE BUDGET PROCESS***

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. Our budget provides a cash basis look at the financial needs for the operation of city. Revenues are projected as they will be received. This differs from the accounting process, where the modified accrual system of accounting is used. It is the responsibility of the Finance and Management departments of the city to present a budget that allows for conscientious spending of the monies of the city, showing financial needs that will present themselves during the fiscal year. 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.

Staff strives to budget conservatively, controlling spending and eliminating frivolous expenditures. It is our fiduciary duty to carefully manage the monies entrusted to us by the citizens of Richwood.

**FEBRUARY** - The process begins early in the calendar year 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. Meetings are held with department heads to analyze how the current budget is performing and notate changes needed for the coming budget year.

**MAY** - The Finance Director and the City Manager meet with department heads to review budget needs for the coming year, discuss department requests and determine needs based on the City's goals and proposed revenues. Finance begins preparation of the proposed budget document. Each department head was asked to bring supplemental requests to the budget meetings that would be above basic requirements of each department yet add value for the city.

**JUNE** - Preparation of the proposed budget continues. Additional meetings are held as needed to review and discuss departmental needs.

**JULY** - The Brazoria County Appraisal District releases certified property values on or about 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 meet with department heads 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. A city council workshop is held, together with staff, to review the proposed budgetary needs. Staff work with City Council to determine the necessary tax rate to be proposed. Finance, along with the City Manager and Directors finalize the proposed budget. Supplemental requests are considered and prepared for council consideration.

**SEPTEMBER** - During the month of September, public hearings are held, and adjustments are made to both the tax rate and the budget, if required. During 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 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 expenditure 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, Chief of Police, 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 with GAAP, the City Charter, the Texas Local Government Code and other state laws or ethics of the profession.

All budget and tax rate workshops and City Council Meetings are open to the public. A public hearing is held prior to the adoption of the CCPD budget in July. The CCPD budget is then included within the budget presented to City Council in September. The proposed budget is posted to the City of Richwood website, [www.richwoodtx.gov](http://www.richwoodtx.gov), and a public hearing is held prior to the City Council meeting, giving the public to voice their opinions on the proposed budget and the proposed tax rate. The proposed budget is then presented and voted on by council. Proposed tax rate is then presented to council and voted on. In the event that the budget and/or tax rate are not approved at this meeting, a special meeting will be scheduled to allow the approved budget and tax rate to reach Brazoria County by the deadline.



## Fiscal Year 2024 Budget and Tax Rate Adoption Schedule

### Schedule for tax rate at or below No New Revenue rate or Voter Approval rate

*\*Budget calendar is subject to change, based on needs of City and staff availability\**

Thursday, April 13, 2023	List of annual department expenditures and budget request/justification forms distributed to department directors.
April 13 - May 5, 2023	Departments to complete preliminary budget request forms and justification for new purchase requests and submit to Finance office by May 5, 2023.
May 1, 2023	City should receive notice of estimated taxable value from appraisal district. Finance will begin ad valorem tax revenue projections to present to Council.
May 8 - May 12, 2023	Department proposed budget submissions compiled by Finance.
May 15 - May 26, 2023	Department budget hearings between Finance/City Manager and all departments and Boards and Commissions. Finance coordinates with all departments to prepare updated 5-year projections.
June 12 - June 23, 2023	Department meetings with CM/Finance Director to discuss proposed department budgets, changes, and additions.
Monday, July 17, 2023 Special Meeting budget workshop	Proposed FY24 budget presented to city council. Workshop to include budget and tax rate adoption discussion, as well as 3 year forecast. Meeting must be posted 72 hours in advance.
August 1, 2023	City to receive certified tax roll and calculate Effective Tax Rate.
Monday, August 14, 2023 City Council Meeting	Public hearing on CCPD Budget & record vote on tax rate. Set public hearing dates for Tax and Budget by resolution
Friday, August 11, 2023	Updated FY24 Proposed Budget posted to website and provided to City Secretary 30 days before tax rate adoption per Local Govt Code.
Monday, Sept 11, 2023 City Council Meeting	Public hearings on Tax Rate & Budget adoption. Council to vote on FY24 Tax Rate and Budget adoption.
21-Sep-23	Last day to provide adopted tax rate to Brazoria County.



# CITY OF RICHWOOD ORGANIZATION CHART



The City of Richwood currently has a paid staff of 26 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:

- Customer Service Representative/Permitting Inspections Coordinator
- Administrative Assistant: Accounts Payable/Payroll/Utility Billing
- Court Clerk
- Code Enforcement Officer
- Public Works Foreman
- 5 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.

The number of positions has not changed in several years, with the exception of the Code Enforcement Officer, which was added to the FY23 budget.



# VOLUNTEERS



Volunteers are the life blood of any small city and Richwood is no exception. We are very appreciative of the many volunteers that work tirelessly to assure all that 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 9 fully qualified members, encompassing approximately 125 years of experience. This department is responsible for firefighting operations and fire prevention within the city and its extra-territorial jurisdiction (ETJ) 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.

The members of the Richwood Volunteer Fire Department responded to over 100 calls in the first 9 months of calendar year 2023. Over 50% of these calls were within the Richwood city limits, over 15% in the Richwood ETJ, and the remaining calls providing mutual aid to our neighbor communities.

The VFD is funded through the annual city budget, as well as with voluntary donations on utility bills, grants, County ETJ reimbursement and other donations.





## KEEP RICHWOOD BEAUTIFUL –

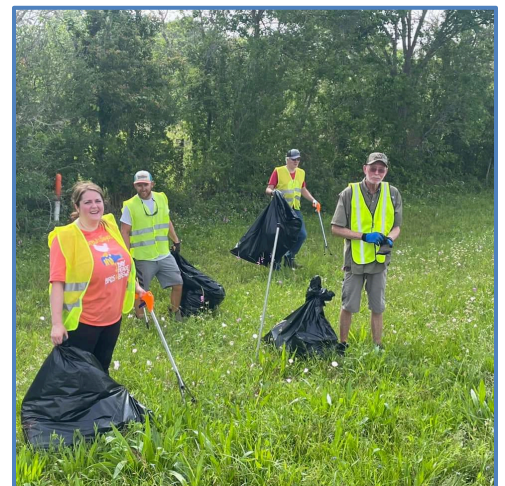
City beautification efforts are accomplished through the many hours of hard work put in by this volunteer committee led by the KRB director Leslie Klug. This group of dedicated volunteers work tirelessly to maintain and beautify our public spaces and hold special events for the community as both outreach and fun. KRB's hard work has earned several prestigious accomplishments, recognitions, and awards in the past year, including:



### ❖ Keep Texas Beautiful Gold Star Affiliate

- ❖ Donation of over 650 pounds of fresh produce to Brazosport Cares Food Pantry & Richwood Residents
- ❖ Held clean up and litter prevention events such as the Don't Mess with Texas Trash and Keep Texas Waterways Clean.
- ❖ Awarded two \$500 scholarships to High School Seniors.
- ❖ Continued our partnership with the Richwood Police Department for All America Night and Shop with a Cop.
- ❖ Planned, organized, and executed several Community events like the Easter egg hunt, Trunk or Treat and , new this year, The Haunted Trail.
- ❖ Partnered with the Texas A&M Agrilife Extension Service's strawberry research project.
- ❖ Continued to work with TXDOT for implementation of the grant received in 2022 for roadway beautification.

Like the Volunteer Fire Department, KRB is partially funded by the City of Richwood through the budget process, with additional funds coming through voluntary donations on utility bills and other fundraising events.







**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 seven person CCPD board meets regularly, making decisions on how best to serve our community with their funding. CCPD budgeted for \$185,000 in equipment replacements and purchases, including radar detectors, Tasers and other equipment determined by Police Chief Mayer to be needed. CCPD allows for the necessary upgrade of our police fleet as well as training and uniforms for our officers as well as community outreach. FY24 budget also includes a transfer to the General Fund to defray \$25,000 of overtime costs for the police department. In addition, much of the outreach efforts of the Richwood Police Department are funded by the CCPD. These outreach efforts include National Night Out, All American Night, and Shop with a Cop. Being a part of the community that they serve is important to every one of the brave men and women that serve with the Richwood Police Department and the support given by CCPD is invaluable to our city.







## A MESSAGE FROM THE CITY MANAGER



October 1, 2022

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

I am honored to present the adopted 2023-2024 budget for the City of Richwood.

Our budgeting process has been validated each year by tangible results. These results keep our city operating in spite of economic conditions that are not ideal. We have seen many adverse conditions over the past few years that if we had not accounted for could have had a negative impact. Our main focus has been to deliver affordable services in an effective and efficient manner. Our budget is balanced in accordance with state law, the city charter and ordinances, and budget policies.

The FY24 budget follows a familiar path of conservative spending patterns with solid oversight, and sound project management. Recognizing that our community relies on local government for vision and collaboration to maintain a healthy and vibrant community, we believe that the FY24 budget provides these opportunities to not only maintain current standards, but to grow and enhance our community through various means. We recognize that the possibilities for enhancing services are everywhere, funding must be prioritized to deliver the best services possible.

We continue to focus much of our efforts on building redundant critical infrastructure, drainage improvements, and the public water supply and delivery systems. This will be a consistent theme for a few more years while critical infrastructure is being rebuilt and replaced.

### Where does your money go?



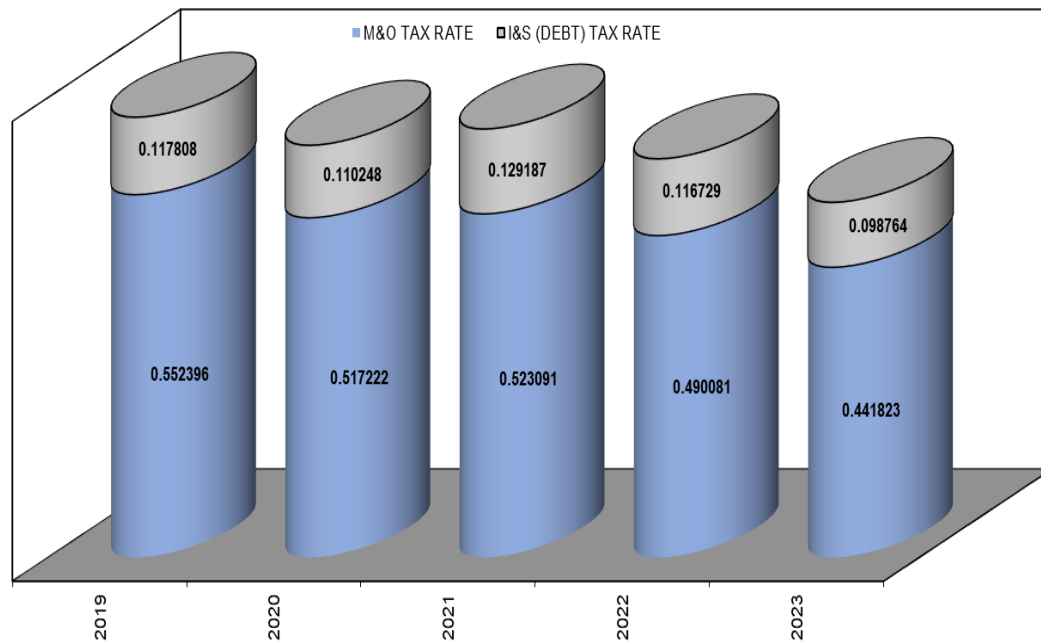


## Tax Rate

Council and staff have been working hard to keep low tax rates for our citizens. With that in mind, we have tailored our spending and debt to ensure that our tax rates are competitive.

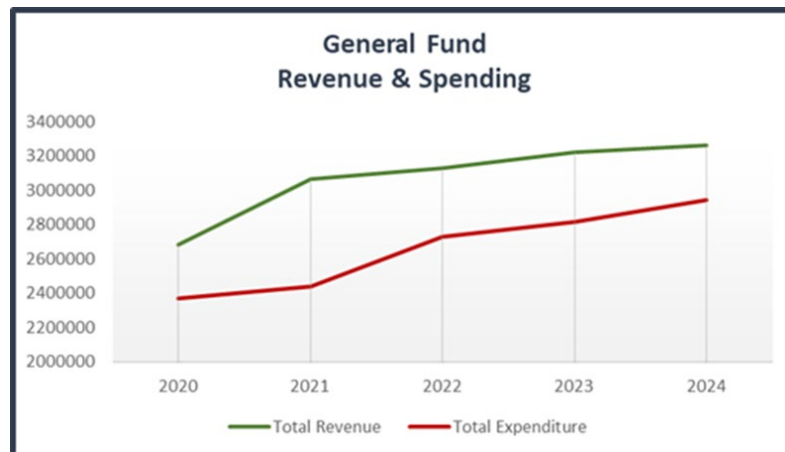
2018	2019	2020	2021	2022	2023	2024
0.63444	0.670204	0.670204	0.62747	0.652278	0.60681	0.540587

**5 Year History & Breakdown of Total Tax Rate**



## Revenue and Spending

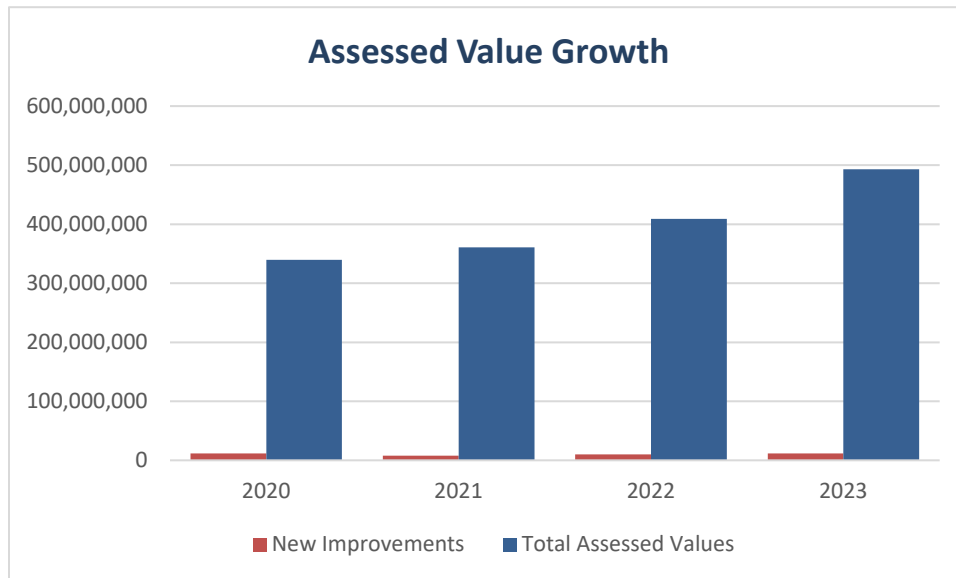
A very important part of the budgeting process is being able to accurately keep revenue and spending in balance.





## Growth

Richwood has shown steady annual growth over the past few years with the addition of new structures within Richwood.



<b>Assessed Values and New Improvements</b>				
<b>Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>New Improvements</b>	11,425,600	8,142,600	10,307,518	11,943,435
<b>Total Assessed Values</b>	339,806,955	360,718,948	408,926,362	493,226,565
<b>Net change from previous year</b>	13.11%	6.15%	13.36%	20.62%
<b>New Improvements as % of Total Assessed Value</b>	3.36%	2.26%	2.52%	2.42%

## Budget Goals and Objectives

This budget reflects the allocation of resources as directed by council and citizens. The budget reflects a conservative, yet impactful budget that focuses on priorities gleaned from budget workshops with input from staff and stakeholders within our community.





The following items are a snapshot of what the FY24 budget will address:

**Current Projects:**

ARPA Grant (\$989,146)

- South Water Plant Upgraded booster pumps and pipes
- Generator at well site #5
- Generator at lift station #1 and service center

COG MOD/MIT (\$2,465,500)

- Quail Run, 4 Oakes, Briar Creek streets reconstruction
- Drainage improvements and outfall cuts to drain this area

CDBG Block Grant (\$200,000)

- Water line replacement on Cedar

**Projects awaiting approval:**

Post Fire/MIT (\$490,001 total; \$122,500 of that is Richwood matching funds)

- Generator well site #6
- Generator lift station #3
- Generator lift station #4

These grant projects are mostly geared towards building redundant systems that can withstand power outages. Our main goal is to be able to pump fresh water and maintain water pressure during outages. If we can maintain pressure, the workload on Public Works is greatly reduced during emergency operations.

We continue to take the opportunity to share as much information with the public as we can. Much of our financial data can be found as published information here:

<https://richwoodtx.gov/>

Respectfully,

C.E. 

Eric Foerster, MPA, CPM  
City Manager



## PROPERTY VALUATIONS & TAX

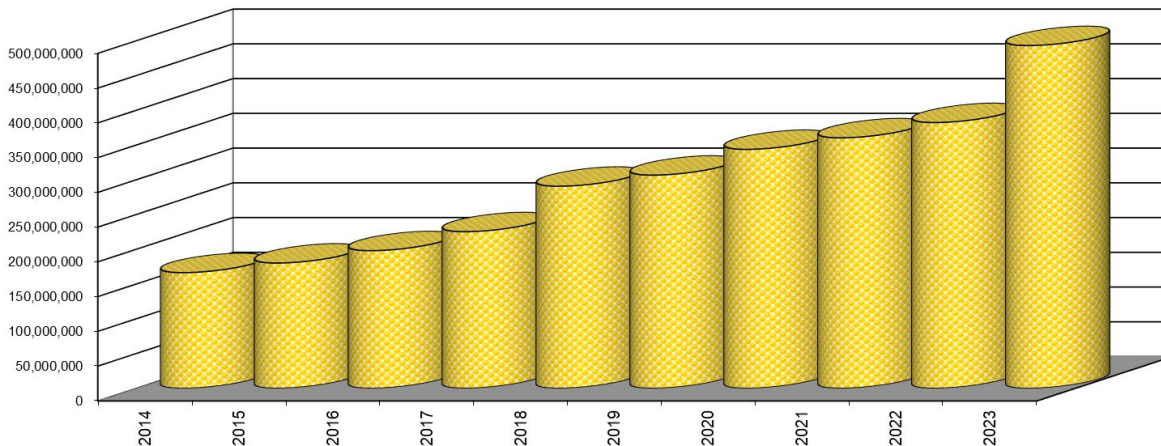
Property taxes provide one of the largest sources of revenue for the City, and determining the tax rate is a major part of the annual budget process.

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 2023 Taxable value includes new or improved properties in the amount of \$11,943,435.

### 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
2021	360,444,400	0.652278	0.523091	0.129187
<b>2022</b>	<b>382,404,619</b>	<b>0.606810</b>	<b>0.490081</b>	<b>0.116729</b>
<b>2023</b>	<b>493,226,565</b>	<b>0.540587</b>	<b>0.441823</b>	<b>0.098764</b>

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 2024 (Tax Year 2023) is \$493,226,565. This is a increase of \$92,028,296 from the 2022 certified taxable value.

Brazoria County CAD was subject to a state audit. Findings of this audit resulted in a recalculation of property values, adding an average of 10% to each property value.



Once the property values have been certified, this begins the truth in taxation process by using the certified values to establish No New Revenue Tax Rate and a Voter-Approval 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. Exceeding these tax rates requires a citizen vote for approval. Article XI, Section 4 of the Texas Constitution limits the City's total tax rate to \$1.50 per \$100 of taxable assessed valuation.

The No New Revenue 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 2024 (Tax Year 2023) is .505837 per \$100 of assessed valuation.

The Voter Approval tax rate separates the maintenance and operations (M&O) and the debt services (DS) portions of the tax rate. This 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 2024 (Tax Year 2023) Voter Approval tax rate is \$0.522178 . 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.

The De minimis tax rate is the rate equal to the sum of the no-new-revenue maintenance and operations rate, the rate that will raise \$500,000, and the current debt rate for the taxing unit.

The Voter Approval Rate allows taxing entities to collect 3.5% more revenue on existing properties than was levied the prior year. For cities with a population of under 30,000, a rate can be calculated to raise up to 8% more, providing that is is less than the De Minimis rate. For Richwood, this rate calculation resulted in a rate of 0.540587 per \$100 assessed valuation.

## **EXEMPTIONS**

City governments have the opportunity to make available certain exemptions for qualified taxpayers to realize a reduction in their Ad Valorem taxes. Richwood has made available a \$25,000 exemption for homeowners 65 years of age or older. For Fiscal Year 2023, Richwood offers homeowners:

- Homestead Exemption      1% (minimum \$3,000)
- Over 65 or Disabled      \$25,000

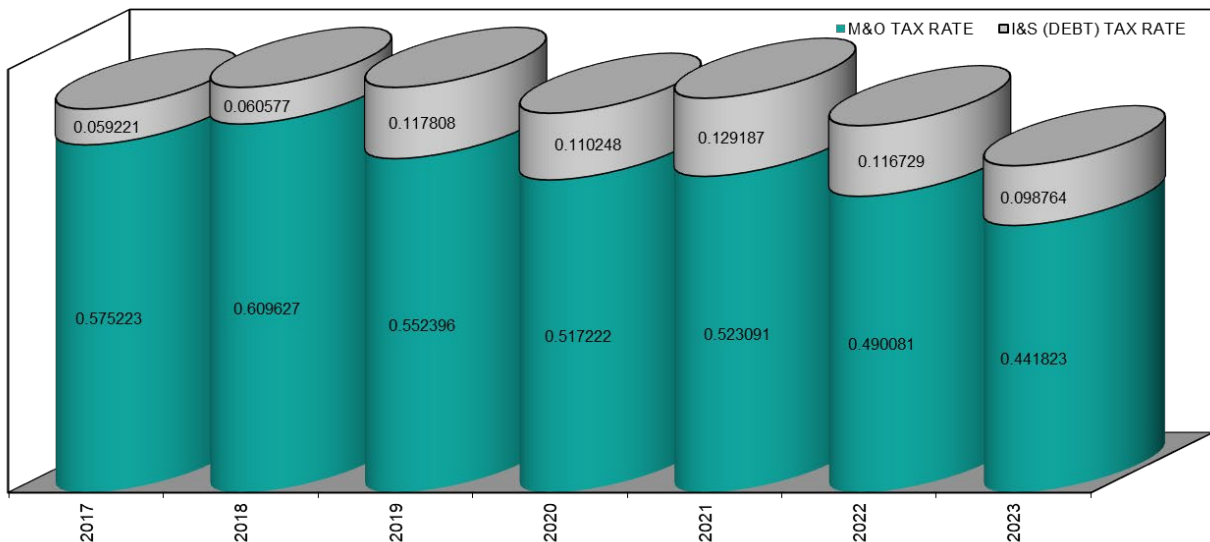


## MAINTENANCE & OPERATIONS

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 2024's M&O rate is set at 0.441823. This is a decrease from the Fiscal Year 2023 rate. This rate will result in \$2,179,188 in general fund revenue from property taxes.

7 Year History & Breakdown of Total Tax Rate



## 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 2024's required debt Service tax rate is .098764. This is a decrease from Fiscal Year 2023.

For Fiscal Year 2024 the City Council made the decision to approve the tax rate for small cities that allows up to 8% of increased revenue, approving a rate of 0.540587 per \$100 valuation. This is a reduced total tax rate but will result in an increase in revenue due to higher assessed valuations and a higher revenue increase. This tax rate will result in a total





\$2,004,070 possible property tax revenue for maintenance and operations (M&O) of the City and the required amount of \$490,104 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)					
	FY22 Tax Year 2021	FY23 Tax Year 2022	FY24 Tax Year 2023	FY 22 TO FY 23 CHANGE	
				\$ Change	% Change
<b>Estimated Tax Roll</b>	360,444,400	382,404,619	481,283,130	98,878,511	25.86%
<b>Proposed Tax rate per \$100 Valuation</b>	0.652278	0.606810	0.540587	(0.066223)	-10.91%
<b>Revenue from Taxes</b>	2,351,100	2,498,684	2,601,754	103,070	4.12%
<b>Estimated Collection Rate*</b>	99%	103%	101%		
<b>Estimated Current Year Funds Available</b>	<b>2,327,589</b>	<b>2,573,645</b>	<b>2,617,625</b>	<b>43,980</b>	<b>1.71%</b>

\*Per Brazoria County, Richwood is estimated to collect 100.61% of assessed taxes, which will come from delinquent tax and penalty

Richwood offers homeowners:

- Homestead Exemption      10% (minimum \$3,000)
- Over 65 or Disabled      \$25,000

Property tax revenue makes up almost 2/3 of all revenue received by the General Fund for the maintenance and operation of the city. While sales tax revenue grew in recent years, it decreased during FY23. Richwood continues to be primarily dependent on property tax revenue to assure that the city is operated in a fiscally responsible manner.

TOP 10 TAXPAYERS - AD VALOREM - TAX YEAR 2023		
TAXPAYER	TAXABLE ASSESSED VALUE	% of TOTAL ASSESSED VALUATION
Brazos Owner LLC	30,979,790	6.78%
EB at Richwood Village Property	27,957,210	6.12%
Fifeshire Landing LP	21,000,000	4.59%
Interurban Creekside LLP	11,286,373	2.47%
MHC 54 LLC	5,549,990	1.21%
Mahavidya Corporation	5,000,000	1.09%
Yaklin Ford Inc	3,970,230	0.87%
Manha Property LLC	3,779,540	0.83%
McCoy Corporation	3,069,460	0.67%
Texas Gulf Coast Fluid System Solution	2,886,580	0.63%

Of the top ten taxpayers, the top four are apartment complexes, three are retail facilities and three are industrial facilities.



Richwood is a unique city in that it was incorporated as a mainly residential area. Lying just outside of Lake Jackson and Clute, and south of the county seat of Angleton, Richwood has always depended heavily on property tax for its main revenue source.

Richwood is a short distance from the ever-expanding Houston metropolitan area and growth is expected as the area expands south. Undeveloped land within the Richwood city limits is privately owned and as yet, the owners are not looking to have it sold or developed. However, looking at the future of Richwood, it is imperative that plans are made to allow for this growth, which will tax our existing infrastructure. Building reserve funds to allow for investment into our utility plant is an important part of the vision for our future financial health. Impact fees were enacted 5 years ago and will be reexamined in FY24 as required by state law, with an adjustment in the fees if found necessary.

Another facet of strategic planning is to maintain a tax rate that is reasonable for our residents while allowing ample revenue for building the reserve funds that will be needed.

City	FY 2023	FY 2024
Lake Jackson	0.323121	0.337422
Danbury	0.584277	0.381644
Clute	0.594799	0.466637
Freeport	0.600000	0.533000
Angleton	0.618760	0.525367
<b>Richwood</b>	<b>0.606810</b>	<b>0.540587</b>
Brazoria	0.680476	0.596533
Sweeny	0.730954	0.607158
Pearland	0.623765	0.655400
Alvin	0.710000	0.665000
West Columbia	0.715000	0.715000



When compared to other cities in Brazoria County, Richwood falls in the middle for tax rate. Pearland is the largest city on the list, with Lake Jackson second largest.

## FUNDS



The City of Richwood, like most if not all governmental bodies and non-profit organizations, use Fund Accounting systems for financial record-keeping and analysis. All fund structures and accounting standards used for financial reporting are in compliance with Generally Accepted Accounting Principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and other recognized professional standards. Fund Accounting emphasizes accountability rather than profitability. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City can be divided into two categories: Governmental funds and proprietary funds. Each fund is recorded as an individual financial category. *Governmental Funds, used to account for revenues and expenditures for the operation of the governmental unit*, utilize a modified accrual basis of accounting. The modified accrual basis is a combination of cash basis and full accrual. Revenues are recognized when they are both measurable and available. Ad valorem tax, sales tax, franchise tax, and interest revenues are susceptible to accrual. Licenses and permits, charges for services, fines and forfeiture revenues are recorded as revenues when received in cash because they are generally not measurable until they are received. Expenditures are recorded as when the related liability is incurred. Accounting records for the City's *proprietary funds, which are used to account for the business-like activity*, are maintained on the accrual basis. Revenues are recognized when earned and expenses are recognized when the liabilities are incurred. Depreciation is only recorded in the proprietary funds, such as Richwood's Water & Sewer Fund, Richwood's only proprietary fund. Each fund consists of a self-balancing set of accounts. Fund balance (or Net Position for proprietary funds) can be categorized in 5 ways:

- **Non-Spendable**

Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventory, prepaid expenses, receivables that will not be collected within a year, non-financial assets held for resale, or money 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 city 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 four **major governmental funds**:

- General Fund
- Debt Service Fund
- Capital Projects Fund
- Transportation Fund

In addition, the city has one major proprietary fund:

- Water & Sewer 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**

Fiscal Year 2024 will be the fourth year of intentionally budgeting 10% of General Fund expenditures to go to the Contingency Fund. In 2021, \$200,000 was transferred to contingency, in 2022, \$252,628 and in 2023 \$280,000 was transferred. FY 2024 has budgeted \$290,000, which will be transferred at the beginning of the fiscal year. During FY 2025 budget discussions, plans for the use of this fund will be determined and implemented.

- **Replacement Fund**

City management is intent on setting aside funds for future vehicle and equipment replacement to reduce or eliminate the need to incur debt. Funds are transferred into three categories – Equipment - \$4,000, Vehicles - \$20,000 and Fire Department - \$15,000.

The city is currently paying on a lease to purchase agreement for a 2017 Spartan Fire Pumper Truck, purchased in 2017 with the first annual payment made in November 2018. The agreement will be fulfilled in November 2032. It is the intention of management to have accumulated adequate funds to then purchase a replacement truck with little to no debt required.

Proceeds from the sale of obsolete or unneeded equipment will be posted into the replacement fund in FY24. Fund balance is expected to be approximately \$180,000 before this additional funding.

- **Inflow & Infiltration Fund**

In 2019, a portion of the sewer rate increase was earmarked to be placed into an Inflow & Infiltration (I&I) Reserve Fund. Beginning in 2020, a transfer has been made annually to the fund, with a total of \$127,369 transferred/budgeted through FY2023. \$10,000 was transferred from the I&I fund in 2022. The FY 2024 budget includes a transfer from the I&I fund of \$70,000 to the enterprise fund for CDBG grant engineering. This will leave an expected fund balance of \$115,369 at year end.

- **Utility Capital Improvement Fund**

Revenue from Impact fees is held in this fund. Impact fees are assessed on new construction where new taps are attached to the utility infrastructure. Impact fees are intended for use to improve the utility infrastructure as growth taxes its capacity. Per state law, impact fees must be reexamined with a rate study every 5 years. A study will be conducted during this fiscal year and fees adjusted per the study results.



## ACCOUNTING METHOD

The city of Richwood operates under the Modified Accrual basis of accounting and follows GASB (Governmental Accounting Standards Board) standards. This method combines accrual basis accounting with cash basis accounting. Revenues are recognized when they become available and measurable and, with a few exceptions, records expenditures when liabilities are incurred. A fiscal year beginning on October 1 and ending September 31 is utilized.

Depreciation is calculated within the Enterprise fund but capital purchases within the Governmental Funds are recorded on a cash basis.

An annual independent financial audit is conducted by an outside firm with the resulting financial statements presented to City Council no later than six months after the end of the fiscal year.

The annual budget is prepared on a cash basis to reflect cash flow requirements and expectations. For example, debt principal payments are shown as they pertain to cash flow. However, they do not affect fund balance.



Ellis Park splashpad

Combined Funds Cash Flows - Governmental Funds												Enterprise Fund
	General Fund	General Contingency	Debt Service Fund	Court Tech and Security	Equipment Replace	Beautification	Trans Fund	Crime Control and Prev	Grant Funds	Other minor funds	Total	Water & Sewer
<b>Unassigned Fund Balances - 10/1/2022</b>	1,939,929	530,975	25,407	28,306	96,316	34,506	970,664	284,040	43,277	3,189	3,956,609	6,430,274
<b>Revenues</b>												
<b>Total Revenues</b>	3,295,017	280,000	498,613	18,209	48,156	20,746	923,236	164,696	19,811		5,268,484	2,930,517
<b>Expenditures</b>												
<b>Total Expenditures</b>	3,501,768	-	489,267	18,032	-	15,459	1,976,394	130,221	310,488	1,572	6,443,201	2,883,898
<b>Estimated Fund Balances - 9/30/2023</b>	1,733,178	810,975	34,753	28,483	144,472	39,793	(82,494)	318,515	(247,400)	1,617	2,781,892	6,476,893
<b>Revenues</b>												
<b>Total Revenues</b>	3,464,640	290,000	494,405	7,400	39,000	20,500	304,500	160,900	-		4,781,345	3,013,871
<i>Interfund Transfers In included in Revenues</i>	25,000	290,000			39,000	5,000						
<b>Expenditures</b>												
<b>Total Expenditures</b>	3,273,001	-	490,104	4,000	-	14,395	302,500	241,000			4,325,000	3,331,513
<i>Interfund Transfers Out included in Expenditures</i>								25,000				
<i>To Contingency</i>	290,000											
<i>To Replacement</i>	39,000											
<i>To Beautification</i>	5,000											
<b>Estimated Fund Balances - 9/30/2024</b>	1,924,817	1,100,975	39,054	31,883	183,472	45,898	(80,494)	238,415	(247,400)	1,617	3,238,237	6,159,251

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	<b>545,500</b>
<b>Fund Balance-Undesignated</b>	<b>1,379,317</b>

Grant Fund had an outlay of \$300,000 in FY23, which will be reimbursed during FY24

Summary of Cash Flow - FY24								Enterprise Fund
	General Fund	Debt Service Fund	Court Tech and Security	Equipment Replace	KRB Fund	Trans Fund	Crime Control and Prev	Water & Sewer
<b>Estimated Available Fund Balances - 9/30/2023</b>	<b>1,733,178</b>	<b>34,753</b>	<b>28,483</b>	<b>144,472</b>	<b>39,793</b>	<b>(82,494)</b>	<b>318,515</b>	<b>6,476,893</b>
<b>Revenues</b>								
PROPERTY TAXES	2,209,188	494,405						
FRANCHISE FEES	196,000							
SALES TAXES	640,000					160,000	160,000	
COURT FINES AND FEES	130,000							
LICENSES AND FEES	54,150							
INTERGOVERNMENTAL	1,100							
TRANSPORTATION FEES						142,500		
OTHER REVENUE/NON OPERATING	209,202				20,500	2,000	900	5,500
OPERATING REVENUE			7,400					2,882,371
<b>Total Revenues</b>	<b>3,439,640</b>	<b>494,405</b>	<b>7,400</b>	<b>0</b>	<b>20,500</b>	<b>304,500</b>	<b>160,900</b>	<b>2,887,871</b>
<b>Expenditures</b>								
GENERAL GOVERNMENT ADMINISTRATION	952,693		4,000					
POLICE DEPARTMENT	1,256,491							
FIRE DEPARTMENT	346,062							
CODE ENFORCEMENT	74,521							
PUBLIC WORKS	296,274							
MISC	12,960							
KRB OPERATION EXPENSE					14,395			
ENGINEERING & PLANNING								
STREETS						207,500		
SIDEWALKS						47,500		
DRAINAGE						47,500		
STREETS - CAPITAL EXPENDITURE								
POLICE SUPPORT							31,000	
POLICE - CAPITAL EXPENDITURE							185,000	
SEWER UTILITY								1,008,484
WATER UTILITY								1,171,048
SOLID WASTE UTILITY								590,000
BOND PAYMENT-LONG TERM DEBT		490,104						435,981
<b>Total Expenditures</b>	<b>2,939,001</b>	<b>490,104</b>	<b>4,000</b>	<b>0</b>	<b>14,395</b>	<b>302,500</b>	<b>216,000</b>	<b>3,205,513</b>
<b>Interfund Uses &amp; Sources</b>								
Transfers in	25,000			39,000	5,000			
Transfers out	334,000						25,000	
<i>includes 10% contingency fund transfer</i>								
<b>Net Uses &amp; Sources</b>	<b>(309,000)</b>	<b>0</b>	<b>0</b>	<b>39,000</b>	<b>5,000</b>	<b>0</b>	<b>(25,000)</b>	<b>0</b>
<b>Total Revenue less Total Expenditures</b>	<b>191,639</b>	<b>4,301</b>	<b>3,400</b>	<b>39,000</b>	<b>11,105</b>	<b>2,000</b>	<b>(80,100)</b>	<b>(317,642)</b>
<b>Estimated balance 9/30/2024</b>	<b>1,924,817</b>	<b>39,054</b>	<b>31,883</b>	<b>183,472</b>	<b>50,898</b>	<b>(80,494)</b>	<b>238,415</b>	<b>6,159,251</b>



# **FISCAL YEAR 2023-2024 BUDGET ORDINANCE**



## **ORDINANCE NO. 23-509**

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, 2023 - SEPTEMBER 30, 2024; PROVIDING A SEVERANCE CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE FOR THIS ORDINANCE.

**WHEREAS**, on July 17, 2023, the City Manager of the City of Richwood submitted the proposed Budget for the City of Richwood Fiscal Year 2023-2024 to the City Council; and

**WHEREAS**, on July 17, 2023, the City Manager of the City of Richwood filed with the City Secretary the proposed Budget for the City of Richwood Fiscal Year 2023-2024; and

**WHEREAS**, a public hearing on said budget was duly held on September 11, 2023 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 as amended for the fiscal year beginning October 1, 2023, through September 30, 2024, 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, 2023.

**PASSED AND APPROVED** on the first and final reading this 11<sup>th</sup> day of September 2023.

  
\_\_\_\_\_  
**Michael Durham, Mayor**

**ATTEST:**

  
\_\_\_\_\_  
**Kirsten Garcia, City Secretary**



# CONSOLIDATED FUND BUDGET SUMMARY

## FY 2023-2024 BUDGET ORDINANCE - EXHIBIT A

### City of Richwood FY 2023-2024 Budget Consolidated Fund Summary

approved 9/11/2023

REVENUES & SOURCES OF FUNDS	2021 Actual	2022 Actual	2023	2023 Budget	2024
			Actual through 9/1/23		Approved Budget
<b>Major &amp; Other Operating Funds</b>					
General Fund	\$ 3,066,463	\$ 3,266,128	\$ 3,074,550	\$ 3,810,170	\$ 3,464,640
I&S Debt Service Fund	378,993	470,910	470,507	498,613	494,405
Crime Control & Prevention District Fund	158,408	185,174	119,141	185,000	160,900
Court Technology & Security Funds	740	449	16,827	650	7,400
Beautification Fund	23,079	21,567	19,474	21,800	20,500
Transportation Fund	301,537	327,967	517,210	1,653,750	304,500
Water & Sewer Fund	2,400,221	2,819,117	2,572,849	2,701,800	2,957,871
<b>Subtotal</b>	<b>\$ 6,329,441</b>	<b>\$ 7,091,312</b>	<b>\$ 6,790,558</b>	<b>\$ 8,871,783</b>	<b>\$ 7,410,216</b>
<b>Contingency &amp; Capital Reserve Funds</b>					
Equip Replacement Fund	34,009	46,870	46,840	44,000	44,000
General Contingency Fund	200,000	252,628	280,000	280,000	290,000
Inflow & Infiltration (I&I Fund)	34,000	34,000	34,000	34,000	34,000
Utility Capital Improvement Project Fund	221,002	349,374	34,070	-	22,000
<b>Subtotal</b>	<b>\$ 489,011</b>	<b>\$ 682,872</b>	<b>\$ 394,910</b>	<b>\$ 358,000</b>	<b>\$ 390,000</b>
<b>Total Revenues &amp; Sources</b>	<b>6,818,452</b>	<b>7,774,184</b>	<b>7,185,468</b>	<b>9,229,783</b>	<b>7,800,216</b>
<b>EXPENDITURES &amp; USES OF FUNDS</b>					
<b>Major &amp; Other Operating Funds</b>					
General Fund	\$ 2,757,154	\$ 3,186,112	\$ 3,012,446	\$ 3,842,487	\$ 3,273,001
I&S Debt Service Fund	408,983	499,019	489,267	494,614	490,104
Crime Control & Prevention District Fund	132,095	132,029	50,824	225,000	241,000
Court Technology & Security Funds	-	-	2,822	650	4,000
Beautification Fund	15,679	21,199	10,908	26,675	14,395
Transportation Fund	71,023	76,062	1,377,750	1,652,000	302,500
Water & Sewer Fund	2,463,310	2,417,825	2,198,871	2,674,838	2,980,526
<b>Subtotal</b>	<b>\$ 5,848,244</b>	<b>\$ 6,332,246</b>	<b>\$ 7,142,888</b>	<b>\$ 8,916,264</b>	<b>\$ 7,305,526</b>
<b>Contingency &amp; Capital Reserve Funds</b>					
Equip Replacement Fund	49,307	59,719	-	-	-
General Contingency Fund	-	-	-	-	-
Inflow & Infiltration (I&I Fund)	-	10,000	-	-	-
Utility Capital Improvement Project Fund	-	88,201	87,500	137,000	70,000
<b>Subtotal</b>	<b>\$ 49,307</b>	<b>\$ 157,920</b>	<b>\$ 87,500</b>	<b>\$ 137,000</b>	<b>\$ 70,000</b>
<b>TOTAL EXPENDITURES &amp; USES OF FUNDS</b>	<b>5,897,551</b>	<b>6,490,166</b>	<b>7,230,388</b>	<b>9,053,264</b>	<b>7,375,526</b>

## GENERAL FUND



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 2024 BUDGET**

The undesignated General Fund balance at the end of Fiscal Year 2023 is estimated to be \$1,173,178. This budget was prepared by projecting revenues based on historical amounts and projected growth. Expenditures were examined through a vigorous process with department heads, city manager, and finance. Per the Fiscal Year 2024 budget, we can expect increase General Fund fund balance by \$191,639.

Revenues – Expected General Fund revenues for Fiscal Year 2024 are \$3,464,640, 5% more than the previous year's budget amount. Implemented this year is a mandatory Ambulance fee on each utility bill to defray cost of ambulance service. The city will also be charging a 3.5% fee on all card transactions to offset charges to the city from the card processing company.

Expenditures – Budgeted expenditures for Fiscal Year 2024 is \$2,939,001. This is a slight decrease from the previous year's budget amount.



# GENERAL FUND REVENUES

City of Richwood  
General Fund Budget FY23-24

10 General Fund - 10/01/2023 to 09/30/2024

approved 9/11/2023

2024

	2021 Actual	2022 Actual	2023 Actual through 9/1/23	2023 Budget	Approved Budget
<b>Revenue</b>					
<b>Taxes</b>					
294103 Ad Valorem Taxes	1,729,358	1,865,691	1,950,097	2,004,070	2,179,188
294104 Delinquent Taxes	35,710	35,179	8,249	18,000	15,000
294105 Penalty & Interest	15,457	19,208	11,978	17,000	15,000
294111 Franchise Taxes	190,346	208,455	175,962	196,000	196,000
294117 Sales Tax	641,056	730,140	479,206	725,000	640,000
<b>Total Taxes</b>	<b>2,611,927</b>	<b>2,858,673</b>	<b>2,625,492</b>	<b>2,960,070</b>	<b>3,045,188</b>
<b>Licenses and permits</b>					
294106 Licenses & Permits	3,461	4,580	7,949	6,000	9,000
294107 Building Permits	77,821	77,751	72,375	82,000	45,000
294114 Animal Fines/Licenses	74	220	80	250	150
<b>Total Licenses and permits</b>	<b>81,356</b>	<b>82,551</b>	<b>80,404</b>	<b>88,250</b>	<b>54,150</b>
<b>Intergovernmental revenue</b>					
294113 Intergovernmental Rev	234,260	15,946	90,326	1,000	1,100
<b>Total Intergovernmental revenue</b>	<b>234,260</b>	<b>15,946</b>	<b>90,326</b>	<b>1,000</b>	<b>1,100</b>
<b>Charges for services</b>					
294118 Municipal Building Rentals	4,622	7,570	8,600	7,000	9,000
<b>Total Charges for services</b>	<b>4,622</b>	<b>7,570</b>	<b>8,600</b>	<b>7,000</b>	<b>9,000</b>
<b>Fines and forfeitures</b>					
294109 Municipal Court	89,313	105,892	103,069	110,000	130,000
<b>Total Fines and forfeitures</b>	<b>89,313</b>	<b>105,892</b>	<b>103,069</b>	<b>110,000</b>	<b>130,000</b>
<b>Special Revenues</b>					
054251 Revenues - Police Officer Training - LEOES	1,086	940	944	1,200	1,000
054252 Revenues - Accident, Police Report & Arrest Fees	99	61	30	150	50
054257 Revenues - Police outreach donations	0	0	7,050	0	0
<b>Total Special Revenues</b>	<b>1,185</b>	<b>1,001</b>	<b>8,024</b>	<b>1,350</b>	<b>1,050</b>
<b>Interest</b>					
294110 Interest Earnings	1,811	9,991	82,185	2,500	50,000
<b>Total Interest</b>	<b>1,811</b>	<b>9,991</b>	<b>82,185</b>	<b>2,500</b>	<b>50,000</b>
<b>Miscellaneous revenue</b>					
294108 Inspection Fees	30,335	30,360	27,805	35,000	30,000
294112 Miscellaneous Income	8,004	16,350	29,095	10,000	10,000
294121 Parks & Recreation - Park Pavillion Rentals	3,650	3,575	3,025	5,000	3,500
294126 Parks & Recreation - Sports Field Rental	0	0	1,525	0	3,600
294128 Credit card fee revenue	0	0	0	0	1,000
294129 Ambulance fee revenue	0	0	0	0	101,052
<b>Total Miscellaneous revenue</b>	<b>41,989</b>	<b>50,285</b>	<b>61,450</b>	<b>50,000</b>	<b>149,152</b>
<b>Total Revenue</b>	<b>3,066,463</b>	<b>3,131,909</b>	<b>3,059,550</b>	<b>3,220,170</b>	<b>3,439,640</b>





Projecting expected revenues is a crucial part of budgeting. However, it is important to remember that revenues are only projections and fluctuations do occur. Having a strong projection aids in the budgeting of expenditures, providing evidence that the expenditures contained in the budget will be at or below revenues realized during the year.

**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 2023 (to be collected in FY24) is \$493,226,565. The certified value for 2023 increased \$91,474,359 from the 2022 certified taxable values. Brazoria County, during a state audit, was found to be under-assessing properties. Due to this finding, the majority of property values were increased an average of 10% for tax year 2023 for levies collected in FY24. \$11,943,435 was added to the tax roll this year for new and improved properties.

The maintenance and operations tax rate for 2023 (to be collected in FY24) is set at \$0.441823. This is a decreased tax rate from the previous year, resulting in a levy of \$2,179,188 in General Fund revenue. This is an increase of \$224,654 from the FY23 amount collected for property tax.

The City budgets tax revenue based on the numbers provided by the BCAD. Both Property Tax Penalty Income and Delinquent property tax Income are projected based on historical collections.

Property Tax made up 60% of all General Fund revenue for FY23.

**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

<b>State of Texas</b>	<b>6.25%</b>
<b>Brazoria County</b>	<b>0.50%</b>
<b>City of Richwood</b>	<b>1.25%</b>
<b>Richwood Crime Control &amp; Prevention District</b>	<b>0.25%</b>
<b>Richwood – Streets</b>	<b>0.25%</b>
	<b>8.25%</b>

Every 4 years, the sales tax assessment for streets must be placed before the voters for approval. It was again approved in 2023. The allocation for CCPD was first established in 2014 for a 20 year period, after which it will again go to the voters. Sales tax revenue decreased in FY23. General Fund realized \$90,103 less in FY23 than in FY22. Budget projection for FY24 reflects this trend. Sales tax was 19.5% of all General Fund revenue for FY23.

**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.

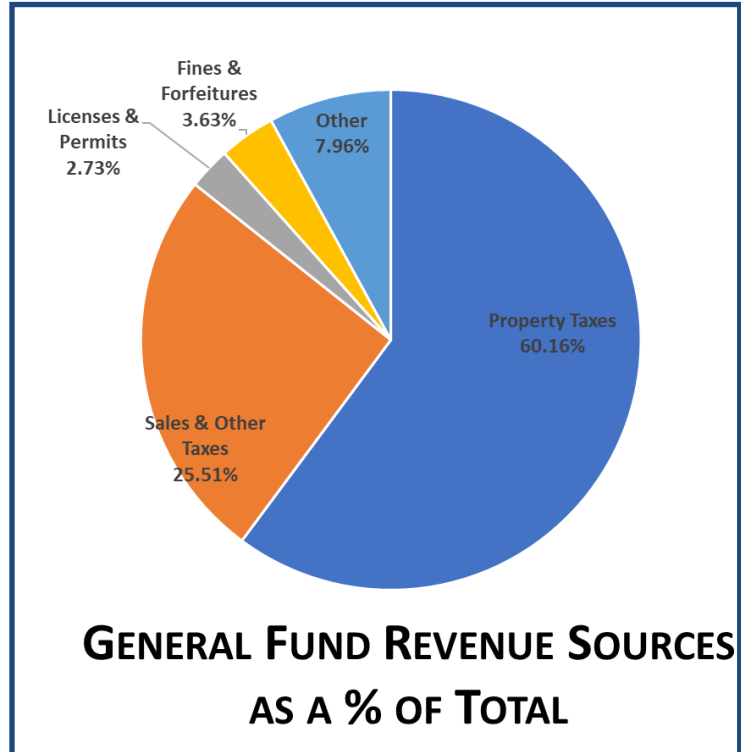
The following is a break down of the largest franchise tax contributors:

**Major Franchise Tax Contributors:**

CenterPoint Energy	74%
Comcast	25%
Other Miscellaneous	1%

**Other sources of General Fund Revenue include:**

- Permits & Licenses
- Municiple Court Receipts
- Park & Facility Rental Fees
- Interest Revenue on Cash & Investments
- Grants
- Ambulance Fee (new in FY24)



Revenue Sources	HISTORY				CURRENT YEAR		BUDGET
	FY 2019 Actual	FY2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Budget	FY2024 Adopted
Property Taxes	1,683,122	1,679,145	1,780,526	1,920,078	1,973,351	2,039,070	2,125,105
Sales & Other Taxes	804,543	751,775	831,402	938,595	836,871	921,000	846,000
Licenses & Permits	105,004	95,400	81,356	82,551	89,523	88,250	54,150
Intergovernmental	177,309	48,412	234,260	16,886	90,326	1,000	1,100
Facility Rentals	6,507	1,624	4,622	7,570	13,500	7,000	9,000
Fines & Forfeitures	100,642	65,210	89,313	105,892	119,226	110,000	130,000
Special Revenues	5,353	1,481	1,185	61	8,024	1,350	1,050
Interest	35,148	9,326	1,811	9,991	88,508	2,500	50,000
Miscellaneous	162,390	32,059	41,989	50,285	60,689	50,000	48,100
<b>Total Revenue</b>	<b>3,080,018</b>	<b>2,684,432</b>	<b>3,066,464</b>	<b>3,131,909</b>	<b>3,280,018</b>	<b>3,220,170</b>	<b>3,264,505</b>

# GENERAL FUND EXPENDITURES



City of Richwood  
General Fund Budget FY23-24

10 General Fund - 10/01/2023 to 09/30/2024

approved 9/11/2023

	2021 Actual	2022 Actual	2023 Actual through 9/1/23	2023 Budget	2024 Approved Budget
<b>Expenditures</b>					
<b>General Government</b>					
<b>Administration</b>					
015101 Administrative Expense	70	0	0	0	0
015102 Contract Labor	0	0	0	0	0
015103 Salaries & Wages	324,357	347,526	323,446	352,045	393,315
015104 Overtime	4,190	364	200	695	728
015105 Retirement	52,943	41,917	40,071	40,549	50,379
015107 Medicare	4,671	5,051	4,667	5,115	5,714
015109 Misc adjustment	228	2,237	0	0	0
015110 Workmen's Compensation Ins	1,397	1,702	2,521	2,529	2,323
015115 Hospitalization	41,071	41,715	42,422	47,990	58,073
015120 Unemployment Insurance	45	1,510	45	45	45
015125 Cellphone Allowance	0	135	1,485	0	1,755
015126 Vehicle Allowance	0	6,250	5,500	6,500	6,500
015130 Training & Travel	7,095	5,459	9,655	15,000	8,000
015175 Longevity Pay	0	1,400	0	1,400	1,400
015201 Food	1,435	2,395	5,270	4,000	4,000
015210 Office Supplies	8,471	2,756	3,661	8,000	5,000
015215 Custodial Supplies	640	1,403	631	1,200	1,000
015225 Books & Periodicals	249	129	275	700	500
015240 Expendable Operating Supplies	2,748	5,535	3,936	5,000	8,000
015310 Building & Grounds M&R	1,598	283	1,504	2,000	2,000
015320 Office Furniture/Fixture M&R	344	1,120	226	1,000	1,000
015341 Postage & Shipping	1,809	1,464	2,821	1,000	2,900
015410 Electricity	8,515	12,634	9,274	10,000	10,000
015420 Telephone	7,542	5,213	752	3,500	700
015430 Natural Gas	561	416	692	1,200	850
015510 Elections	5,601	3,547	5,564	10,000	5,000
015550 Information Technology Services	33,632	48,150	49,964	63,000	48,000
015556 Contractual Services - Taxes	13,620	11,203	14,607	13,700	13,700
015560 Engineering	12,028	11,186	8,023	11,000	13,000
015570 Attorney's Fees	26,394	17,189	35,855	22,000	25,000
015572 Economic Development	1,328	1,200	1,200	1,200	1,200
015580 Auditor's Fees	45,900	43,900	43,900	46,900	46,900
015595 Professional Services	82,963	4,650	5,380	16,500	0
015610 Credit Card Discount Fees	5,078	1,622	1,086	2,000	1,000
015640 Insurance - Bldg/Liab/Bond	26,804	31,906	64,722	42,000	72,000
015660 Dues & Subscriptions	12,648	13,697	17,020	20,000	16,000
015685 Publishing & Advertising	4,887	10,002	6,688	7,500	5,000
015695 Special Services - Miscellaneous	15,000	0	0	0	0
015910 Office Equipment	1,306	0	2,973	3,500	3,500
015930 Equipment	5,956	0	35,569	30,000	0
015935 Operating Lease - Copier	1,379	4,092	4,213	4,100	4,100
<b>Total Administration</b>	<b>764,503</b>	<b>690,958</b>	<b>755,818</b>	<b>802,868</b>	<b>818,582</b>



**City of Richwood  
General Fund Budget FY23-24**

**10 General Fund - 10/01/2023 to 09/30/2024**

approved 9/11/2023

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Approved Budget</b>
			through 9/1/23		
<b>Expenditures</b>					
<b>Judicial</b>					
065103 Salaries & Wages	48,963	51,326	48,490	53,326	57,025
065104 Overtime	0	0	67	350	350
065105 Retirement	5,438	5,754	5,587	5,350	6,408
065107 Medicare	704	738	697	800	1,276
065110 Workmen's Compensation Ins	217	277	520	520	346
065115 Hospitalization	8,292	8,298	8,574	9,598	11,615
065120 Unemployment Insurance	64	386	16	16	16
065130 Training & Travel	750	1,072	831	3,000	1,500
065175 Longevity Pay	0	125	0	125	125
065180 Certification Pay	603	603	540	650	650
065210 Office Supplies	1,560	1,521	0	1,500	500
065225 Books & Periodicals	0	56	0	300	300
065240 Expendable Operating Supplies	181	91	0	500	500
065420 Telephone	0	0	0	0	0
065550 Information Technology Services	7,486	7,282	7,030	7,750	7,000
065565 Jury Expense	0	0	0	600	500
065570 Attorney's Fees	10,993	12,716	7,257	12,000	12,000
065610 Credit Card Discount Fees	437	0	0	0	0
065660 Dues & Subscriptions	280	205	130	1,000	500
<b>Total Judicial</b>	<b>85,968</b>	<b>90,450</b>	<b>79,739</b>	<b>97,385</b>	<b>100,611</b>
<b>Permitting &amp; Inspections</b>					
105102 Contract Labor	32,223	35,632	24,725	40,000	30,000
105240 Expendable Operating Supplies	761	1,474	0	1,000	1,000
105570 Attorney's Fees	0	0	0	1,500	1,000
<b>Total Permitting &amp; Inspections</b>	<b>32,984</b>	<b>37,106</b>	<b>24,725</b>	<b>42,500</b>	<b>32,000</b>
<b>Special Revenue Expenditures</b>					
055291 Expenditures - Police Training - LEOES	0	1,142	0	1,500	1,500
<b>Total Special Revenue Expenditures</b>	<b>0</b>	<b>1,142</b>	<b>0</b>	<b>1,500</b>	<b>1,500</b>
<b>Total General Government</b>	<b>883,455</b>	<b>819,656</b>	<b>860,282</b>	<b>944,253</b>	<b>952,693</b>
<b>Public Safety</b>					
<b>Police Department</b>					
055103 Salaries & Wages	597,485	554,174	559,233	605,676	632,472
055104 Overtime	63,095	41,559	38,984	65,000	65,000
055105 Retirement	79,001	71,508	73,483	77,050	89,125
055107 Medicare	9,662	8,629	8,653	9,725	10,113
055110 Workmen's Compensation Ins	7,743	7,493	14,773	14,765	7,100
055115 Hospitalization	81,380	77,456	81,452	88,768	116,147
055120 Unemployment Insurance	360	2,284	105	90	90
055125 Cellphone Allowance	0	45	495	0	585
055130 Training & Travel	5,665	5,969	21	1,400	0
055175 Longevity	0	2,025	0	2,250	2,100



# GENERAL FUND EXPENDITURES



City of Richwood  
City of Richwood

General Fund Budget FY23-24

10 General Fund - 10/01/2023 to 09/30/2024

approved 9/11/2023

2024

	2021 Actual	2022 Actual	2023 Actual through 9/1/23	2023 Budget	Approved Budget
<b>Expenditures</b>					
075360 Radio M&R	2,491	0	2,089	500	500
075365 Other Equipment M&R	2,398	3,583	1,265	5,000	5,000
075410 Electricity	1,340	2,029	1,645	2,000	2,000
075420 Telephone	3,168	3,889	3,187	2,500	3,750
075430 Natural Gas	339	325	305	500	400
075550 Information Technology Services	0	4,800	435	0	0
075566 Contractual Services - Ambulance	105,000	141,716	153,244	160,907	161,000
075630 Insurance - Motor Vehicles	8,923	12,178	11,944	15,000	14,000
075640 Insurance - Bldg/Liab/Bond	3,285	4,545	11,339	5,500	11,500
075660 Dues & Subscriptions	5,908	8,249	7,776	6,500	6,500
075930 Equipment	26,658	22,574	5,116	32,000	25,000
075935 Capital Lease (Fire) - Principal	19,810	20,590	22,311	22,311	23,101
075936 Capital Lease (Fire) - Interest	12,902	12,122	10,401	10,401	9,611
075940 Special Equipment	1,674	0	0	0	2,000
<b>Total Fire Department</b>	<b>252,882</b>	<b>320,035</b>	<b>295,767</b>	<b>345,580</b>	<b>346,062</b>
<b>Code Enforcement</b>					
095103 Salaries & Wages	-189	0	34,787	45,760	49,421
095104 Overtime	0	0	0	0	0
095105 Retirement	-22	0	3,884	5,240	6,312
095107 Medicare	-3	0	461	664	717
095110 Workmen's Compensation Ins	0	0	0	450	222
095115 Hospitalization	-40	0	7,083	9,598	11,615
095120 Unemployment Insurance	0	0	13	9	9
095130 Training & Travel	0	500	625	1,000	1,000
095175 Longevity Pay	0	0	0	0	125
095210 Office Supplies	0	40	0	0	0
095230 Gas, Oil, & Lubricants	0	0	172	0	1,200
095240 Expendable Operating Supplies	0	125	428	2,000	1,000
095320 Office Furniture/Fixture M&R	139	0	0	0	0
095340 Vehicle M&R	0	0	0	0	1,000
095570 Attorney's Fees	0	0	0	1,000	1,000
095630 Insurance - Motor Vehicles	736	0	0	1,500	700
095660 Dues & Subscriptions	0	0	0	0	200
<b>Total Code Enforcement</b>	<b>621</b>	<b>665</b>	<b>47,453</b>	<b>67,221</b>	<b>74,521</b>
<b>Total Public Safety</b>	<b>1,290,262</b>	<b>1,365,056</b>	<b>1,397,719</b>	<b>1,567,556</b>	<b>1,677,074</b>
075230 Gas, Oil, & Lubricants	4,112	5,967	3,632	5,000	5,500
075240 Expendable Operating Supplies	141	0	571	500	1,000
075310 Building & Grounds M&R	3,725	2,709	11,723	5,000	6,000
075340 Vehicle M&R	27,583	25,812	21,487	20,000	23,000



**City of Richwood  
General Fund Budget FY23-24**

**10 General Fund - 10/01/2023 to 09/30/2024**

approved 9/11/2023

**2024**

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>Approved</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>
			through 9/1/23		
<b>Expenditures</b>					
<b>Public Works</b>					
<b>City Maintenance</b>					
025102 Contract Labor	0	0	0	0	0
025103 Salaries & Wages	64,648	70,779	60,497	74,059	75,826
025104 Overtime	10,134	6,176	3,948	5,000	5,000
025105 Retirement	8,780	9,140	7,857	9,081	10,329
025107 Medicare	1,052	1,056	910	1,146	1,172
025110 Workmen's Compensation Ins	1,164	1,271	1,918	1,918	4,065
025115 Hospitalization	16,339	16,287	16,369	19,196	23,229
025120 Unemployment Insurance	18	504	23	18	18
025130 Training & Travel	0	0	0	0	0
025175 Longevity Pay	0	250	0	250	250
025190 Uniforms	1,463	605	1,017	1,900	1,800
025201 Food	0	0	150	0	150
025210 Office Supplies	0	229	4	250	250
025215 Custodial Supplies	166	193	118	200	200
025220 Tools	1,822	3,621	1,767	2,000	3,000
025230 Gas, Oil, & Lubricants	6,420	5,777	7,017	5,500	10,225
025240 Expendable Operating Supplies	2,057	4,347	3,942	2,700	4,000
025245 Dump Charges	6,369	4,756	3,796	5,000	6,000
025270 Chemicals	0	755	2,411	300	2,000
025310 Building & Grounds M&R	10,223	29,271	9,422	22,650	20,000
025320 Office Furniture/Fixture M&R	0	0	0	0	0
025340 Vehicle M&R	1,900	6,787	14,782	4,000	2,500
025360 Radio M&R	424	150	360	360	360
025365 Other Equipment M&R	9,767	12,996	20,129	7,000	5,000
025376 Signs M&R	1,931	6,102	336	2,500	2,000
025410 Electricity	27,660	29,220	32,420	43,000	38,000
025420 Telephone	1,088	756	413	1,200	400
025430 Natural Gas	336	150	0	500	0
025630 Insurance - Motor Vehicles	2,003	2,621	2,754	3,000	3,600
025640 Insurance - Bldg/Liab/Bond	6,727	6,189	15,886	7,000	19,100
025660 Dues & Subscriptions	42	0	17	100	100
025685 Publishing & Advertising	54	133	0	0	0
025695 Special Services - Miscellaneous	0	0	0	0	0
025930 Equipment	0	59,422	133,680	140,000	0
025935 FNB Equipment - Principal	2,206	0	0	0	0
025936 FNB Equipment - Interest	-80	0	0	0	0
<b>Total City Maintenance</b>	<b>184,713</b>	<b>279,543</b>	<b>341,943</b>	<b>359,828</b>	<b>238,574</b>



**City of Richwood  
General Fund Budget FY23-24**

**10 General Fund - 10/01/2023 to 09/30/2024**

approved 9/11/2023

**2024**

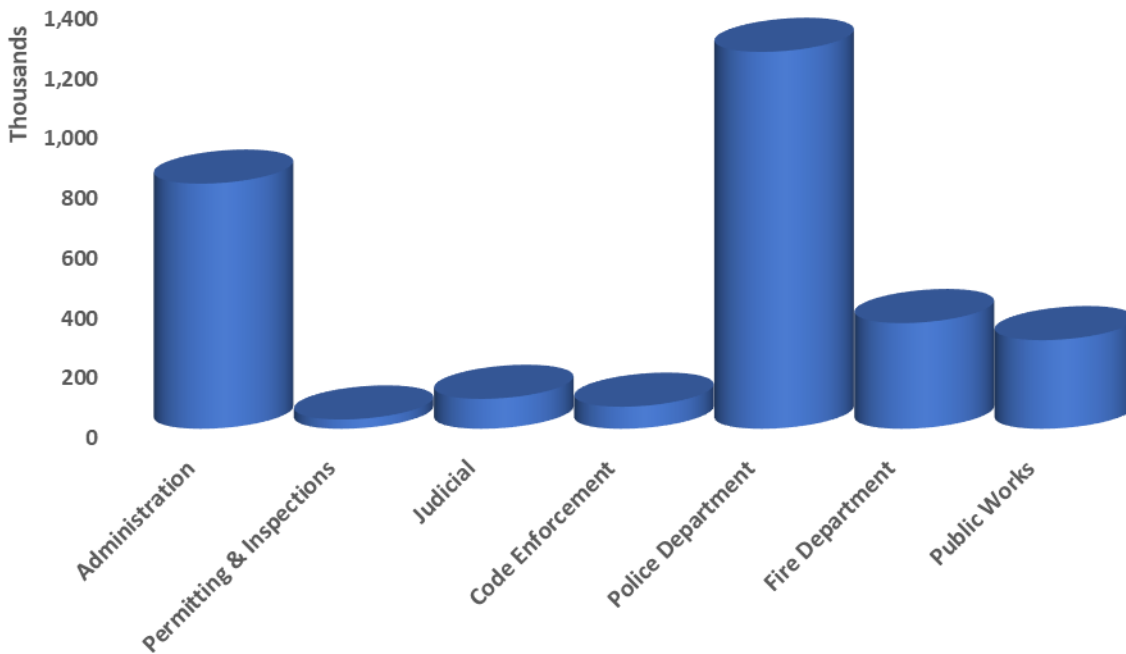
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>Approved</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>
			through 9/1/23		
<b>Expenditures</b>					
<b>Emergency/Disaster</b>					
995102 Contract Labor	0	215,927	0	0	0
<b>Total Emergency/Disaster</b>	<b>0</b>	<b>215,927</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Public Works</b>	<b>184,713</b>	<b>495,470</b>	<b>341,943</b>	<b>359,828</b>	<b>238,574</b>
<b>Parks &amp; Recreation</b>					
<b>Parks and Recreation</b>					
085215 Custodial Supplies	1,047	1,139	1,632	1,200	2,500
085220 Tools	528	373	536	300	300
085240 Expendable Operating Supplies	160	279	407	300	300
085270 Chemicals	1,006	1,196	1,057	2,000	2,000
085310 Building & Grounds M&R	20,238	25,563	8,511	25,000	25,000
085365 Other Equipment M&R	7,928	8,154	9,232	6,000	7,000
085410 Electricity	2,113	3,222	2,716	4,000	3,500
085630 Insurance - Motor Vehicles	278	524	551	550	600
085640 Insurance - Bldg/Liab/Bond	4,526	6,441	9,168	8,000	9,500
085685 Publishing & Advertising	175	0	0	0	0
085851 Parks & Recreation	5,956	4,909	4,700	9,500	7,000
<b>Total Parks and Recreation</b>	<b>43,955</b>	<b>51,800</b>	<b>38,510</b>	<b>56,850</b>	<b>57,700</b>
<b>Total Parks &amp; Recreation</b>	<b>43,955</b>	<b>51,800</b>	<b>38,510</b>	<b>56,850</b>	<b>57,700</b>
<b>Miscellaneous</b>					
615699 Development Agreements	38,208	0	0	10,000	12,960
<b>Total Miscellaneous</b>	<b>38,208</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	<b>12,960</b>
<b>Total Expenditures</b>	<b>2,440,593</b>	<b>2,731,982</b>	<b>2,638,454</b>	<b>2,938,487</b>	<b>2,939,001</b>





Expenditures by Department	HISTORY				CURRENT YEAR		BUDGET
	FY 2019 Actual	FY2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Budget	FY 2024 Adopted
Administration	683,663	546,912	764,501	690,959	815,203	802,868	817,582
Judicial	83,476	69,617	85,966	90,449	87,142	97,385	100,611
Permitting & Inspections	87,438	55,779	32,549	37,105	34,408	42,500	32,000
Special Revenue Expenditures	1,350	1,185	0	1,142	0	1,500	1,500
Police Department	902,328	1,026,696	1,036,760	1,044,359	1,149,229	1,154,755	1,256,491
Fire Department	227,089	306,281	252,882	320,035	339,040	345,580	353,062
Code Enforcement	57,621	36,049	621	665	53,410	67,221	74,521
Public Works:							
City Maintenance	189,452	209,807	184,712	279,543	233,194	234,828	238,574
Disaster & Emergency	0	2,926	0	215,927	0	0	0
Parks & Recreation	29,855	41,714	43,955	51,800	44,486	56,850	57,700
Development Agreements	0	72,087	38,208	0	0	10,000	12,960
<b>Total</b>	<b>2,262,272</b>	<b>2,369,053</b>	<b>2,440,154</b>	<b>2,731,984</b>	<b>2,756,112</b>	<b>2,813,487</b>	<b>2,945,001</b>

## GENERAL FUND BUDGET SPENDING BY DEPARTMENT







Personnel Costs make up 38% of all General Fund Expenditures. Of the 25 full-time employees with the City, 19 are paid from the General Fund. Personnel costs include:

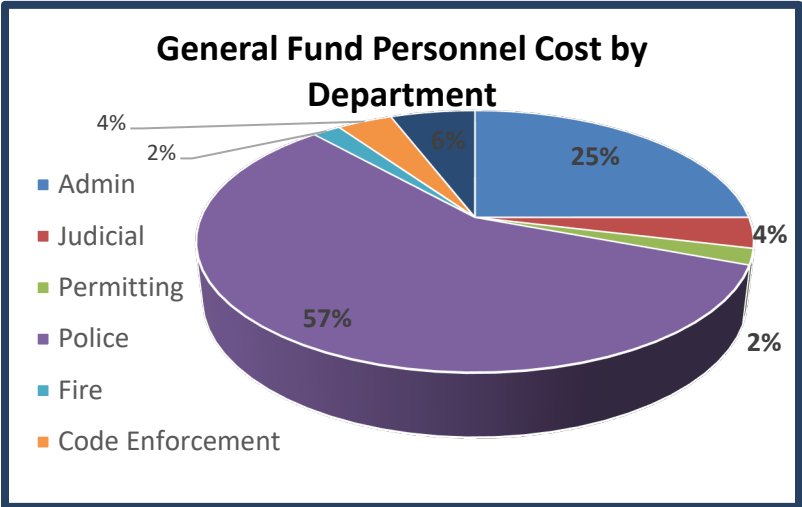
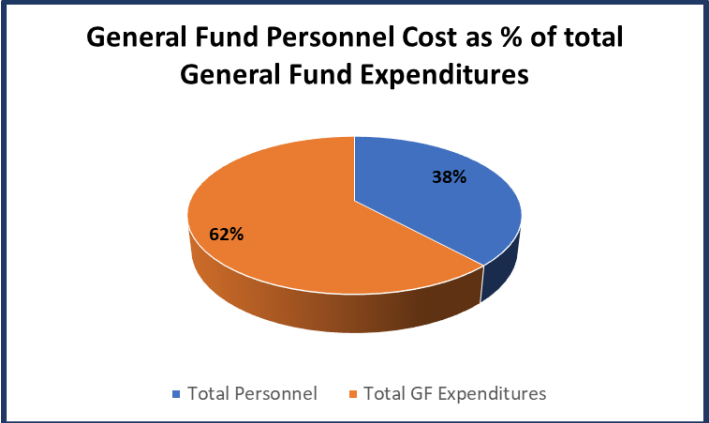
- Salary & Wages
- Retirement benefits through Texas Municipal Retirement System (TMRS)
- Medicare tax
- Workers Compensation Insurance
- Medical & Dental Insurance – paid for each full-time employee – through Texas Municipal League
- Training

Employees were given a 5% COLA increase in this budget. Inflation has caused the cost of living to increase. After discussion with staff and research into what other cities were doing, it was the recommendation of staff to increase wages by 5%. Employees were also eligible for up to 3% merit increase based on performance evaluations

COLA increases are considered annually. Merit increases are considered biannually, with the next due in FY26.

General Fund Employment:

Administration	5
Public Works	2
Police	10
Municipal Court	1
Code Enforcement	1



Fire Department volunteers are eligible to participate in a state retirement system. Currently the city covers the cost for 9 volunteer firefighters.

Contract labor for inspections is included in the Permitting department personnel costs.



# GENERAL FUND INTERFUND TRANSFERS

City of Richwood  
General Fund Budget FY23-24

10 General Fund - 10/01/2023 to 09/30/2024

approved 9/11/2023

**2024**

	2021 Actual	2022 Actual	2023 Actual <small>through 9/1/23</small>	2023 Budget	Approved Budget
<b>Expenditures</b>					
<b>Other Financing Sources and Uses</b>					
<b>Sources</b>					
974959 Transfer from Fund Balance	0	0	0	575,000	0
974960 Transfer from CCPD	0	74,500	15,000	15,000	25,000
974962 Transfer from Replacement Fund	0	59,719	0	0	0
<b>Total Sources</b>	<b>0</b>	<b>134,219</b>	<b>15,000</b>	<b>590,000</b>	<b>25,000</b>
<b>Uses</b>					
985900 Transfer out	0	0	33,652	0	0
985950 Contingency Fund	200,000	252,628	280,000	280,000	290,000
985960 Transfer to Capital Projects	0	152,500	0	0	0
985961 Transfer to Water/Sewer	80,000	0	0	0	0
985962 Transfer to Replacement - Vehicles	20,000	20,000	20,000	20,000	20,000
985963 Transfer to Beautification	3,000	5,000	5,000	5,000	5,000
985964 Transfer to Transportation	0	0	0	575,000	0
985965 Transfer to Replacement - Equipment	4,000	4,000	4,000	4,000	4,000
985967 Transfer to Replacement- Fire Dept	10,000	20,000	20,000	20,000	15,000
985968 Transfer to Court Security	0	0	6,243	0	0
985969 Transfer to Court Technology	0	0	5,096	0	0
<b>Total Uses</b>	<b>317,000</b>	<b>454,128</b>	<b>373,991</b>	<b>904,000</b>	<b>334,000</b>
<b>Total Other Financing Sources and Uses</b>	<b>-317,000</b>	<b>-319,909</b>	<b>-358,991</b>	<b>-314,000</b>	<b>-309,000</b>
<b>Total Change in Fund Balance</b>	<b>308,870</b>	<b>80,018</b>	<b>62,105</b>	<b>-32,317</b>	<b>191,639</b>

FINANCE PERFORMANCE MEASURES			
Primary	2021-2022	2022-2023	2023-2024 Target
Standard & Poor GO Bond Rating	AA-	AA-	AA-
Texas Comptroller Transparency Star:			
Traditional Finance	Received	Maintained	Maintain
Debt		Received	Maintain
Contracts & Procurement			Receive
Public Pensions			Receive
GFOA Budget Presentation Award	1st year	2nd year	3rd year
Monthly Budget Reports to council in following month	58%	75%	100%
Quarterly Investment report to council in month following quarter	100%	100%	100%

## GENERAL FUND DEPARTMENTS



**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 City Secretary serves as the liaison and recording secretary for KRB and CCPD, preparing for, posting and attending their meetings and recording minutes.

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.

All utility account maintenance and billing are performed by administrative staff. Monthly bills are sent on or about the 25<sup>th</sup> of each month for the period ending the previous 10<sup>th</sup>.

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.

Administration staff offices are housed within City Hall. This facility also houses the Municipal Court, Council Chamber, Police Department, Code Enforcement and Public Works administration.



*Laura Tyner  
Accounting Associate  
Utility Billing  
Accounts Payable  
Payroll*



*Kaytee Ellis  
Customer Service  
Representative  
Permitting & Inspections*



## **LOOKING FORWARD**

The Administration Department is constantly striving for methods of increasing productivity and efficiency while continually finding ways to serve our city in the best manner possible. Our current goals include:

### **City Manager:**

- Continue seeking grant opportunities that enhance our community.
- Build an enhanced budget process for FY25 that will utilize more council involvement.
- Continue strict budgetary control based on economic conditions and outlook.
- Continue building redundancy into city infrastructure through retrofitting and new construction.
- Seek improvement and participation into I&I programs for our city.
- Continue enhanced transparency activities through social media and our website.
- Maintain proficient and award-winning financials.
- Discuss with council vision and outlook for FY25- to better define what Richwood desires to be.
- Work on succession planning within the organization to the extent that is possible.
- Maintain a servant leadership stance and support our staff.

### **City Secretary:**

- Graduate the Texas Municipal Clerks Certification Program – tentative January 2024
- Digitize and destroy hard copy records in the storage room. (Much of the records kept are well past their retention period and need to be combed through)
- Look into records digitizing software – such as Laserfiche. This is something that would be extremely helpful as the software tracks the record type and its retention period.
- Municipal Court – fully transition all Court Administrator duties over to the Court Clerk and retitle her as Court Administrator. This was my title previously before promoting to CS, I'd like to see the current clerk take on the role and I will still have oversight.

### **Finance Director:**

- Continue to analyze each revenue source to determine needed changes and processes.
- Examine and document all processes for easy transition if needed.
- Within the next 3 years, plan to upgrade system management software to find a more comprehensive solution that encapsulates all departments.
- Create a welcome packet for all new residents, including a utility flyer and other commonly asked questions.
- Transparency of the city's financials continues to be a priority. We will maintain current Transparency Stars through the Texas Comptroller's office and earn the remaining stars for Contracts & Procurement, Economic Development, and Public Pensions.
- Complete improved award-winning Budget Presentations.
- Prepare the ACFR for consideration of the GFOA Award for Excellence.





**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. Court is routinely held on Wednesday mornings, with one of two judges, the Honorable Jack Brown and the Honorable Dorothy Zavala, presiding.



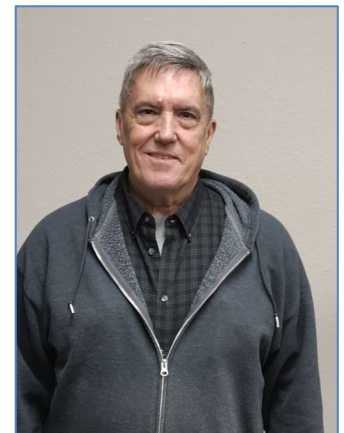
Lori Williams  
Court Clerk

**LOOKING FORWARD**

- Fully transition all Court Administrator duties over to the Court Clerk and retitle her as Court Administrator. The City Secretary will maintain oversight while transferring all court duties to the newly titled Court Administrator.

PERFORMANCE MEASURES			
Primary	2021-2022	2022-2023	2023-2024 Target
Violations issued	1318	1076	1100
Citations closed	1091	927	930
Amount collected by collection agency	43854	65230	66000

**CODE ENFORCEMENT** – Code Enforcement works diligently to address violations of city ordinances and state laws, protecting the city from hazards and improving the quality of life and aesthetics of our neighborhoods. This is accomplished through education of the public, interacting with citizens and businesses, and working closely with the Police, Fire, Building, and Public Works departments. Since the hiring of a full-time code enforcement officer in 2022, duties have expanded to include rental inspections. Marcus has completed training to be able to take over Fire Marshall duties.



Marcus Smith  
Code Enforcement Officer

**LOOKING FORWARD**

- Continue building on the Code Enforcement position.
- Implement the duties of the Fire Marshall.
- Training and implementation of Health Inspections through the Code Enforcement office.

PERFORMANCE MEASURES			
Primary	2021-2022	2022-2023	2023-2024 Target
Compliance with code Enforcement Actions within 30 days		90	95
Respond to Citizen Requets within 3 business days of receipt		95	98
Inspections made within 1 business day of notification		90	98



## **PUBLIC WORKS**

The Public Works 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 budgeted within this department, but rather are funded 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 employees are also responsible for the operation of the utility plant within the city.

Public Works includes 8 full-time positions, two of which are funded within the General Fund City Maintenance department. The Enterprise Fund includes three employees in the Sewer department and three in the Water department.

**Director Clif Custer**

**Foreman Juan Rivera**

**(5) Water/Sewer Operators**

**Grounds Technician**

Responsibilities within the Public Works department include but are not limited to:

**Water Infrastructure**

**Wastewater Infrastructure**

**Streets and Sidewalks**

**Parks**

**Drainage**

**Facilities Maintenance**

## ***LOOKING FORWARD***

Over the next 1-3 fiscal years, Richwood Public Works is seeing immediate needs for additional equipment and personnel as well as infrastructure expansion.

With regards to Capital Improvement Projects, it is Public Works' goal to have all Series A and B Bond Projects as well as CDBG MIT MOD and ARPA projects closed out within the next 3 fiscal years. It is also a goal to see the construction of additional elevated storage towers come to fruition within this time frame.

With the addition of improved drainage infrastructure, Public Works' goal is to expand upon the existing equipment fleet to ascertain equipment capable of effectively cleaning and maintaining improved and existing drainage areas. Due to increased workload, new and additional excavators





as well as specialty vehicles are also needed to satisfy the workload demand and keep costs down due to continued maintenance of older equipment.

Public Works' is anticipating the retirement of one operator within the next 2.5 years. Richwood Public Works has an Operator/Utility Connection ratio of roughly 415 connections per Operator, up from 380 connections per Operator in 2017. At the time the Compensation Plan was developed, cities of roughly the same size and same revenue structure as Richwood had an average of 260 utility connections per Operator with defined Water and Wastewater departments separate from Streets, Drainage, Parks, and Facilities Maintenance. Upon retirement of a single Operator during this time it is Public Works' goal to replace the retired Operator and add at minimum one more full-time Public Works employee to accommodate increased workload and calls for service that increased utility connections require.

<b>PUBLIC WORKS PERFORMANCE MEASURES</b>			
<b>Primary</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024 Target</b>
<b>Days without Equipment malfunction/outage of equipment</b>	<b>168</b>	<b>154</b>	<b>260</b>
<b>Days without job related injury (260 work days per year)</b>	<b>254</b>	<b>251</b>	<b>260</b>



North Water Plant, a \$4 million project, will see completion and come online in FY24.



**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. 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. Playgrounds, sports facilities, frisbee golf, walking trails, splash pad, picnic areas and fishing spots are all available at Richwood's city parks. Current Parks include:

- Ellis Park
- Bobby Ford Park
- Larry Johnson Memorial Park
- Dorothy Torrence Park

Facilities available for rent include:

- P. K. Forrest Community Center located at Ellis Park
- Ellis Park Pavilion
- Bobby Ford Park Pavilion



Ellis Park





Bobby Ford Park

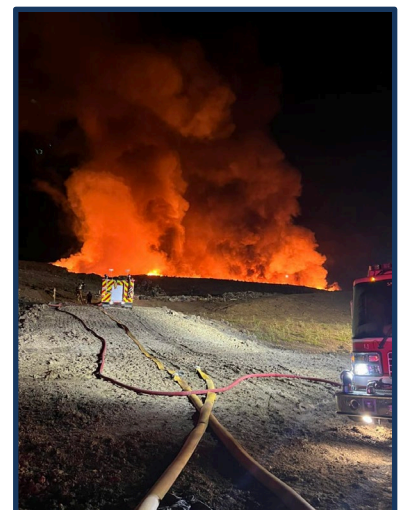
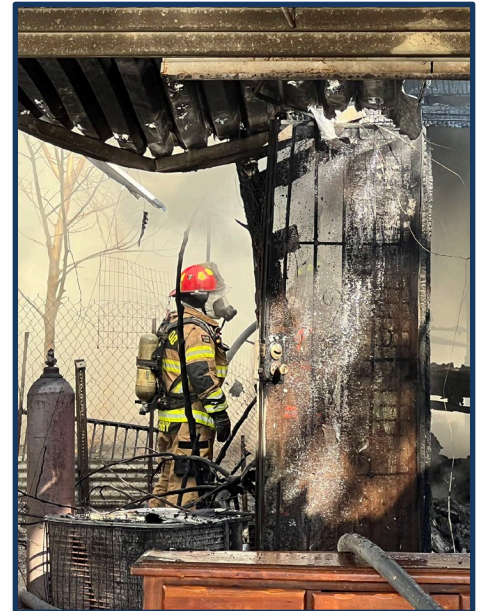




**FIRE DEPARTMENT** - The Fire & Rescue Department is responsible for serving the public by preserving and protecting life, property, and the environment for the citizens of Richwood and surrounding areas. Richwood has no paid staff within the Fire Department. All members, including the Fire Chief, are volunteers. However, Richwood does contribute to a pension plan for each member and fire fighters are covered by the city's Workers Compensation insurance policy. 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, the city funds ambulance service for Richwood residents. Under contract with the City of Clute, ambulance service is available 24/7. Richwood is very fortunate to be able to offer this highly rated ambulance service to their citizens. As the cost of ambulance service continues to rise, it was recommended by staff and approved by council to implement a mandatory \$3.50 ambulance fee for all utility customers beginning with the October 2023 billing. This fee is expected to bring in just over \$100,000 to the city to offset the approximately \$160,000 cost. Citizens pay nothing out of pocket for ambulance service when used. Insurance is billed by the city of Clute, but no additional billing is processed.

During FY23, the VFD purchased 2 drones to add this technology to their arsenal. A licensed operator is required to operate the drones. The assistant fire chief currently maintains such a license and one other is in the process of obtaining the license.

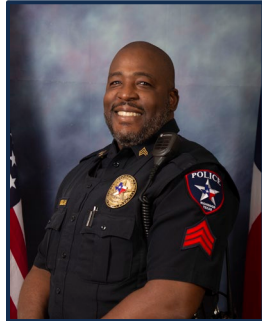




**POLICE DEPARTMENT** - The mission of the Richwood Police Department is to maintain a safe and peaceful community environment by providing effective law enforcement services through partnerships, community education, and outstanding public service. The residents of Richwood are fortunate to have a very 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**



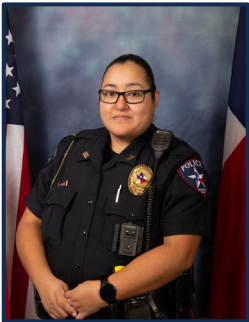
**Sergeant Rashid Abdullah**



**Sergeant Jeremy Richards**



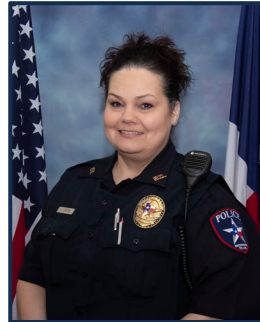
**Detective Michael Holmes**



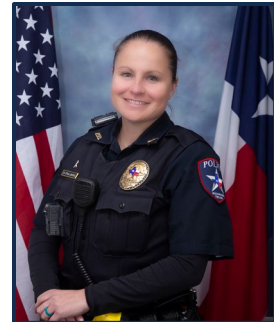
**Officer Elvira Garcia**



**Officer Nadia Nelson**



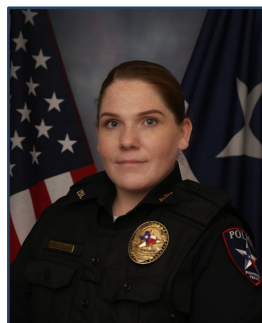
**Officer Leslie Ortiz**



**Officer Samantha Stallberg**



**Officer Brian Adkins**



**Officer Allie DuBose**





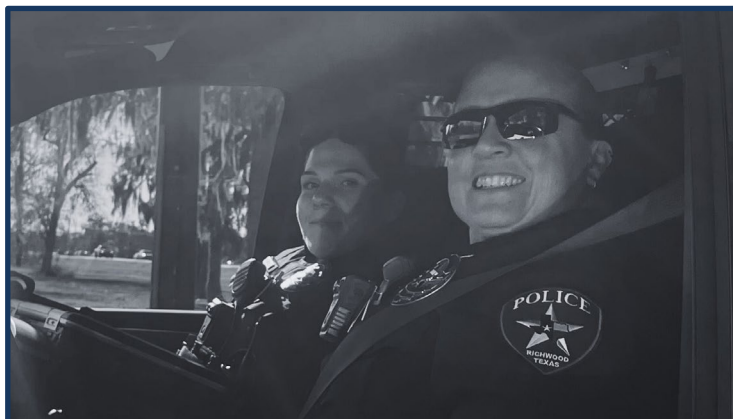
## **LOOKING FORWARD**

The Richwood Police Department is fully aware of the concerns the public has about the occurrences of mass shootings and other violence in the country, some of which have occurred not far from our area. The department is working with other communities, the county, and the state, bringing plans together to both prevent and react to these types of acts within Richwood. Officers are receiving advanced training, equipment is purchased, and plans are being developed. Efforts also include increased communication with the public, outreach to our residents and especially our students.

In addition, the Richwood Police Department will:

- Update soon-to-be expired department issued, officer worn, ballistic vests and carriers
- Upgrade all department issued body worn cameras
- Upgrade all marked patrol vehicle radars
- Upgrade all department issued Tasers
- Upgrade as many marked patrol vehicle on-board camera systems as fiscally possible
- Create a greater balance in officer training efforts
- Downsize department motor vehicle fleet
- Increase crime prevention/traffic enforcement efforts in troubled areas of the city
- Increase police officer self-initiated focus on animal control issues

<b>POLICE DEPARTMENT PERFORMANCE MEASURES</b>			
<b>Primary</b>	<b>2022</b>	<b>2023</b>	<b>2024 Target</b>
<b>Total Traffic contacts</b>	<b>3938</b>	<b>4533</b>	<b>4550</b>
<b>Response Times:</b>			
<b>Priority 1 (low)</b>	<b>5 min 8 sec</b>	<b>5 min 11 sec</b>	<b>5 min</b>
<b>Priority 2 (medium)</b>	<b>47 sec</b>	<b>1 min 17 sec</b>	<b>45 sec</b>
<b>Priority 3 (high)</b>	<b>16 sec</b>	<b>22 sec</b>	<b>15 sec</b>





# UTILITY ENTERPRISE FUND



## Utility Administration

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

The Utility Enterprise Fund functions much like a business in the private sector. 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. However, payroll for

administration of the Utility Billing processes is included in the General Fund. Payroll for the Foreman and 2 operators is included in the Enterprise fund.

The Utility Fund’s revenues come primarily from charges to customers for water consumption, wastewater services, solid waste collection, and fees related to providing consumers with water and wastewater services. Richwood’s rate schedule is set by city council through ordinance.

The City of Richwood contracted with Strand and Associates to conduct a utility rate study in 2021, determining the rate structure needed to maintain current operations, fund utility debt, and provide for needed infrastructure improvements in the future. Based on the recommendations within the 2021 rate study, staff planned a water and sewer rate increase to be in effect as of October 1, 2023, to be brought to council. In July, Richwood and other cities utilizing Brazosport Water Authority were notified of a 7.5% rate increase on usage billed to the city. A 5% increase in the cost to the city for the Clute Wastewater Treatment plant was also built into the new rate for sewer service. Staff recalculated the recommended rates from the 2021 Strand study and brought the revised rates to council for approval. For water, the base rate was increased to \$37.53, with usage over 2,000 gallons increasing per 1,000 gallons to \$6.14. Sewer rates were increased accordingly to a base rate of \$28.50 with additional usage at \$4.95 per 1,000 gallons. The Strand rate study has recommended similar increases in both water and sewer rates through Fiscal Year 2025. Staff will assess the recommended increases annually and will present their recommendation to city council for approval before additional increases go into effect.

Solid Waste (Garbage) Service is contracted through Waste Connections, with a new contract signed for FY24. The fees charged to the residents are a direct pass through to Waste Connections. The new contract contained a 10% price increase. Rates were adjusted accordingly and approved by council.

<b>Richwood Utility Rates</b>			
<b>GALLONS</b>			
	<b>BASE RATE</b>	<b>0-2,000</b>	<b>2,001-20,000</b>
<b>Water</b>	<b>\$37.53</b>	<b>\$ 6.14</b>	<b>\$ 6.39</b>
<b>Sewer</b>	<b>\$28.50</b>	<b>\$ 4.95</b>	<b>\$ 4.95</b>
<b>Garbage Service</b>	<b>BASE RATE</b>	<b>ADD'L ITEM</b>	Includes regular, recycle & large trash pickup.
	<b>\$21.90</b>	<b>\$ 8.13</b>	



Staff recommended to council a change to the senior citizen discount given for utility services. The past saw a \$7.50 discount for each water and sewer and had not been changed for several years, although rates had increased. It was recommended and approved that a 40% discount for all

citizens aged 65 and over would be implemented effective 10/1/2023. A percentage rather than a set dollar amount assures that the discount will grow with rates.

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.

Richwood contracts with the city of Clute for ambulance services. The city has seen price increases over the past several years. While analyzing Richwood’s cost, it was found that several cities in our area, including Clute, include an Ambulance fee on their utility bills. All residents of Richwood benefit from this top-rated service at no out- of-pocket cost, as there is no further billing after insurance coverage is received. It was recommended to council that Richwood include a monthly \$3.50 Ambulance fee on all utility accounts. After much discussion, the additional mandatory fee was approved. The Ambulance fee will bring in just over \$100,000 to the general fund.

Richwood Public Works department adheres to all requirements issued by TCEQ (Texas Commission on Environmental Quality), assuring that the water delivered to our residents is safe to consume. Regular testing and treatments are conducted to remain in TCEQ compliance.

Approximately 50% of all water supply comes from BWA (Brazosport Water Authority), who maintain reservoirs that provide water to seven communities. BWA is in the process of building a second reservoir to meet growing demand. Richwood pays 1/7 of costs incurred by BWA and ongoing debt payments. Richwood contracts with BWA for a set number of gallons to be provided to the city. Any overage incurs an additional charge.

During the summer months of 2023, the area experienced a drought. Citizens were asked to limit unnecessary water usage. The public splash pad was closed. Fortunately, conditions did not escalate to the point that we were required to go into mandatory restrictions.

Other weather-related conditions can cause outages of water infrastructure. Richwood is in the process of adding generators and other equipment to ensure operation even in severe weather conditions that could interrupt power.

Delinquent accounts have grown since FY20 both in number of accounts and dollars owed but unpaid. It is a goal fo the Utility Billing staff to reduce delinquent accounts through more rigorous collection activities, possibly including contracting with a third party.

UTILITY BILLING PERFORMANCE MEASURES				
Primary	2020-2021	2021-2022	2022-2023	2023-2024 Target
# of Delinquent Accounts at year end	113	143	185	125
\$ amount of Delinquent Accounts at year end	29,821	38,196	52,611	35,500



# UTILITY ENTERPRISE FUND BUDGET - OPERATING



City of Richwood  
Budgeting Worksheet  
Enterprise Fund Budget FY23-24

30 Water and Sewer Fund - 10/01/2023 to 09/30/2024

approved 9/11/2023

	2021 Actual	2022 Actual	2023 Actual through 9/1/23	2023 Budget	2024 Approved Budget
<b>Change in Net Position</b>					
<b>Net Operating Income (Loss)</b>					
<b>Operating income</b>					
<b>Sewer Department</b>					
304420 Sewer Fees	867,201	918,993	889,313	975,000	1,009,000
304421 Sewer Discounts	-18,856	-18,690	-17,820	-20,000	-30,096
304450 Sewer Taps	575	1,150	2,925	1,700	2,600
<b>Total Sewer Department</b>	<b>848,920</b>	<b>901,453</b>	<b>874,418</b>	<b>956,700</b>	<b>981,504</b>
<b>Water Department</b>					
304410 Water Fees	1,067,427	1,135,728	1,254,085	1,360,000	1,494,000
304411 Water Discounts	-19,171	-18,968	-18,518	-22,000	-41,433
304428 Credit Card Fee revenue	0	0	0	0	18,000
304430 Delinquent Charges	27,989	27,688	28,431	28,000	34,500
304440 Water Taps	9,200	10,925	2,875	10,000	10,000
304460 Reconnect Fees	5,675	6,809	4,550	5,600	4,800
304480 Miscellaneous Revenue	0	0	7,418	0	0
<b>Total Water Department</b>	<b>1,091,120</b>	<b>1,162,182</b>	<b>1,278,841</b>	<b>1,381,600</b>	<b>1,519,867</b>
<b>Solid Waste Department</b>					
304470 Garbage Receipts	308,782	328,599	312,262	325,000	381,000
<b>Total Solid Waste Department</b>	<b>308,782</b>	<b>328,599</b>	<b>312,262</b>	<b>325,000</b>	<b>381,000</b>
<b>Total Operating income</b>	<b>2,248,822</b>	<b>2,392,234</b>	<b>2,465,521</b>	<b>2,663,300</b>	<b>2,882,371</b>
<b>Operating expense</b>					
<b>Sewer Department</b>					
205103 Salaries & Wages	116,364	121,206	112,404	122,591	131,860
205104 Overtime	10,645	6,244	6,891	13,000	13,000
205105 Retirement	538	15,276	14,803	15,571	18,506
205107 Medicare	1,696	1,691	1,569	1,778	1,853
205110 Workmen's Compensation Ins	2,676	2,923	816	816	7,529
205115 Hospitalization	24,607	24,666	24,318	28,794	34,844
205120 Unemployment Insurance	27	756	35	27	27
205125 Cellphone Allowance	23	360	495	0	585
205130 Training & Travel	0	7	0	0	2,200
205175 Longevity Pay	0	400	0	400	400
205190 Uniforms	0	500	1,200	1,790	1,790
205201 SEWER Food	0	0	0	0	0
205210 SEWER Office Supplies	0	26	0	500	300
205230 SEWER Gas, Oil, & Lubricants	7,281	8,286	4,843	7,500	6,500
205240 SEWER Expendable Operating Supplies	424	781	726	700	700
205270 SEWER Chemicals	1,053	189	0	1,500	1,000
205310 SEWER Building & Grounds M&R	7,231	14,841	541	7,000	5,000



**City of Richwood  
Budgeting Worksheet  
Enterprise Fund Budget FY23-24**

**30 Water and Sewer Fund - 10/01/2023 to 09/30/2024**

*approved 9/11/2023*

	2021 Actual	2022 Actual	2023 Actual through 9/1/23	2023 Budget	2024 Approved Budget
205340 SEWER Vehicle M&R	1,290	2,813	3,475	2,000	2,000
205341 SEWER Postage & Shipping	3,091	3,457	3,714	3,600	4,200
205360 SEWER Radio M&R	450	450	540	540	540
205365 SEWER Other Equip M&R	2,573	8,985	10,480	10,800	6,000
205390 SEWER Line M&R	59,743	39,234	57,237	50,000	50,000
205430 SEWER Natural Gas	8	0	0	0	0
205505 SEWER Clute WWTP Operation	332,860	340,688	226,333	270,000	335,000
205506 Operating Lease - Clute (Transmission Line)	143,449	109,127	147,095	300,000	300,000
205550 SEWER Information Technology Services	0	0	0	0	0
205560 SEWER Engineering	28,615	0	215	0	0
205595 SEWER Professional Services	20,825	0	65,175	10,000	80,000
205630 SEWER Vehicle Insurance	1,388	1,049	1,101	2,000	1,300
205640 SEWER Building/Liab Insurance	2,871	2,888	2,771	2,800	3,350
205660 SEWER Dues & Subscriptions	0	0	0	0	0
205685 SEWER Publishing & Advertising	4,573	1,185	0	600	0
205930 SEWER Equipment	-9,480	0	0	0	0
<b>Total Sewer Department</b>	<b>764,821</b>	<b>708,028</b>	<b>686,777</b>	<b>854,307</b>	<b>1,008,484</b>
<b>Water Department</b>					
215103 WATER Salaries & Wages	110,664	136,315	138,047	151,484	171,622
215104 WATER Overtime	6,232	7,831	11,617	8,000	8,000
215105 WATER Retirement	-29,694	66,907	18,848	18,326	22,956
215107 WATER Medicare	1,684	2,094	2,218	2,197	2,489
215110 WATER Workmen's Compensation Ins	1,978	2,161	1,918	1,918	9,800
215115 WATER Hospitalization	16,414	21,964	24,031	28,794	34,844
215120 WATER Unemployment Insurance	18	756	27	27	27
215125 WATER Cellphone Allowance	524	173	0	520	0
215126 WATER Vehicle Allowance	0	4,802	5,522	4,800	6,500
215130 WATER Training & Travel	1,714	2,417	1,885	2,000	3,500
215175 WATER Longevity Pay	0	445	0	570	570
215180 WATER Certification Pay	0	0	0	0	0
215190 WATER Uniforms	600	1,495	2,068	2,670	2,670
215201 WATER Food	0	54	198	200	500
215210 WATER Office Supplies	2,548	1,189	1,341	700	900
215215 WATER Custodial Supplies	0	0	0	100	0
215220 WATER Tools	6,850	2,926	3,407	4,000	5,000
215230 WATER Gas, Oil, & Lubricants	12,648	9,119	4,832	8,500	6,500
215240 WATER Expendable Operating Supplies	1,033	2,479	2,221	2,000	2,700
215270 WATER Chemicals	8,054	6,471	8,489	9,000	12,000
215310 WATER Building & Grounds M&R	5,313	10,192	1,238	4,000	25,000
215320 WATER Office Furniture/Fixture M&R	0	0	0	500	0
215340 WATER Vehicle M&R	1,601	3,901	4,797	2,400	3,000
215341 WATER Postage & Shipping	3,081	3,628	3,730	3,600	0
215360 WATER Radio M&R	750	750	720	900	720



**City of Richwood  
Budgeting Worksheet  
Enterprise Fund Budget FY23-24**

**30 Water and Sewer Fund - 10/01/2023 to 09/30/2024**

*approved 9/11/2023*

	2021	2022	2023	2023	2024
	Actual	Actual	Actual	Budget	Approved Budget
			through 9/1/23		
215365 WATER Other Equipment M&R	1,615	10,134	19,144	13,000	8,000
215390 Water Lines M&R	97,378	101,736	118,425	110,000	110,000
215410 WATER Electricity	42,078	53,395	40,586	55,000	45,000
215420 WATER Telephone	36,074	1,164	1,317	1,100	2,100
215430 WATER Natural Gas	692	515	1,268	800	1,500
215550 WATER Information Technology Services	0	0	0	0	0
215560 WATER Engineering	82,719	30,317	0	0	170,000
215570 WATER Attorney's Fees	146	0	0	500	500
215595 WATER Professional Services	19,345	38,534	113,697	94,500	60,000
215610 Credit Card Fees	10,137	14,391	15,322	15,000	18,000
215630 WATER Insurance - Motor Vehicles	1,422	1,113	1,169	1,200	1,440
215640 WATER Insurance - Bldg/Liab/Bond	22,297	28,712	55,553	41,000	67,000
215660 WATER Dues & Subscriptions	29,112	8,703	2,752	33,000	9,000
215685 WATER Publishing & Advertising	0	2,275	0	0	600
215930 WATER Equipment	376	0	0	0	0
215935 Operating Lease - Equipment	3,609	3,609	3,081	3,610	3,610
215995 Brazosport Water Authority	298,994	346,004	270,043	330,000	355,000
255995 Accretion - 2019B Premium	-12,115	-12,115	0	0	0
<b>Total Water Department</b>	<b>785,891</b>	<b>916,556</b>	<b>879,511</b>	<b>955,916</b>	<b>1,171,048</b>
<b>Solid Waste Department</b>					
225103 Salaries & Wages	-108	-108	0	0	0
225595 SOLID WASTE Professional Services	263,925	280,971	268,649	280,000	290,000
<b>Total Solid Waste Department</b>	<b>263,817</b>	<b>280,863</b>	<b>268,649</b>	<b>280,000</b>	<b>290,000</b>
<b>Total Operating expense</b>	<b>1,814,529</b>	<b>1,905,447</b>	<b>1,834,937</b>	<b>2,090,223</b>	<b>2,469,532</b>
<b>Total Net Operating Income (Loss)</b>	<b>434,293</b>	<b>486,787</b>	<b>630,584</b>	<b>573,077</b>	<b>412,839</b>

The Enterprise fund operates similar to a private sector for-profit business using Modified Accrual Accounting. Assets are depreciated over time, with the calculation occurring during yearend. Assets include all water and sewer plant, vehicles, and equipment. Construction in progress of the North water plant, which is accounted for in Fund 33, is brought into the Enterprise fund for depreciation.

Impact fees were enacted by council in 2019. Per state law, Impact fees require a study to be completed every 5 years. A study has been budgeted within the enterprise fund budget for FY24.



# UTILITY ENTERPRISE FUND BUDGET – NON-OPERATING

## City of Richwood Budgeting Worksheet

### Enterprise Fund Budget FY23-24

30 Water and Sewer Fund - 10/01/2023 to 09/30/2024

approved 9/11/2023

	2021	2022	2023	2023	2024
	Actual	Actual	Actual	Budget	Approved Budget
			through 9/1/23		
<b>Non-Operating Items</b>					
<b>Non-operating income</b>					
304110 Interest Earnings	922	265	1,989	500	2,500
304112 Miscellaneous Income	153	-44	77	0	0
304123 Other Revenues	2,631	1,479	2,872	1,000	3,000
304500 Grants Revenue	67,691	415,183	65,390	0	0
974961 Transfer from General Fund	80,000	0	0	0	0
974965 Transfer from I&I Fund	0	10,000	0	0	70,000
974967 Transfer from Equipment Replacement Fund	0	0	37,000	37,000	0
<b>Total Non-operating income</b>	<b>151,397</b>	<b>426,883</b>	<b>107,328</b>	<b>38,500</b>	<b>75,500</b>
<b>Non-operating expense</b>					
255960 Meter Capital Lease - Principal	0	0	68,289	0	70,987
255961 Meter Capital Lease - Interest	10,593	8,096	5501	0	2804
255970 Series 2011 Tax & Rev CO Bonds - Principal	0	0	40,000	65,000	40,000
255971 Series 2011 Tax & Rev CO Bonds - Interest	19,450	18,089	16,727	4,226	15,171
255988 Series 2004 - Principle	0	0	35,000	35,000	35,000
255990 2004 CO Bond Fees	0	500	2,629	500	500
255991 Series 2004 - Interest	8,978	7,189	3,109	7,189	3,269
255992 Bond Insurance & Agent Fees	0	0	750	750	750
255993 Series 2019B Bonds - Principal	0	0	115,000	115,000	135,000
255994 Series 2019B - Interest	140,000	138,500	135,950	135,950	132,500
255999 Accrued Interest Expense	-22,433	-414	0	0	0
985962 Transfer to I & I Fund	34,000	34,000	34,000	34,000	34,000
985966 Transfer to Capital Improvements	170,000	22,000	22,000	22,000	22,000
985971 Transfer out	0	0	69,979	0	0
<b>Total Non-operating expense</b>	<b>360,588</b>	<b>227,960</b>	<b>548,934</b>	<b>419,615</b>	<b>491,981</b>
<b>Total Non-Operating Items</b>	<b>-209,191</b>	<b>198,923</b>	<b>-441,606</b>	<b>-381,115</b>	<b>-416,481</b>
305999 Depreciation	288,193	284,308	0	350,000	300,000
<b>Add back Principal debt payments</b>	<b>0</b>	<b>0</b>	<b>185,000</b>	<b>185,000</b>	<b>280,987</b>
<b>Total Change in Net Position</b>	<b>-63,091</b>	<b>401,402</b>	<b>373,978</b>	<b>26,962</b>	<b>-22,655</b>

The Enterprise fund is responsible for all Debt repayment requirements for debt incurred for Enterprise needs. Principal repayments are shown for budgetary cash flow purposes but do not affect Net Position.

# UTILITY FUND CASH FLOW



**Beginning Net Position:** The anticipated ending Net Position at the end of Fiscal Year 2023 is \$6,435,345. An unrestricted net position of 258,856 is projected. With the Fiscal Year 2024 budget, it is projected that unrestricted net position will decrease by \$22,655.

**Revenues:** Operating revenue for Fiscal Year 2024 is projected to be \$2,882,371. This is an increase of \$219,071 from the previous year’s projected amount and \$165,311 above actual FY23 revenues.

**Charges for Water Service - \$1,452,567** This revenue represents water sales generated from residential and commercial water customers. The majority of the city’s water is purchased from Brazosport Water Authority (BWA), which increased the rate charged to the city by 7.5%. Water revenue includes an increase in the city water rates based on a 2021 rate study and the BWA increase.

**Charges for Sewer Services - \$978,904** Sewer rates are linked with water usage. When water usage is predicted to increase, sewer increases as well. Sewer rates were increased for the second year based on the 2021 rate study as well as a 5% increase in the Clute Wastewater Treatment Plant cost.

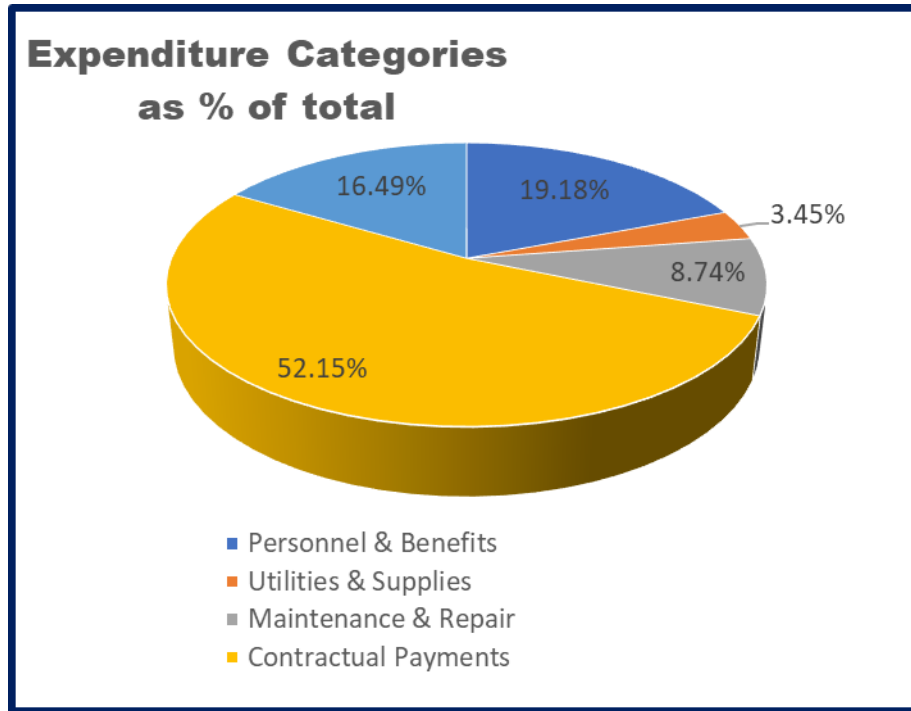
**Charges for Solid Waste Services - \$381,000** Among the utility services provided to Richwood citizens is a refuse and recycling program. A flat rate is charged per month to cover garbage service, recycling, and bulk pick-up, which is a pass through to Waste Connections, our Solid Waste contractor. Richwood went out for bids for Solid Waste services in 2023 for the FY24 and again awarded the contract to Waste Connections.

Enterprise Fund Operating Expenditures	HISTORY				CURRENT YEAR		BUDGET
	FY 2019 Actual	FY2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 actual through 6/30	FY 2023 Budget	FY 2024 Approved
Personnel & Benefits	377,926	370,240	266,710	421,389	298,886	406,073	470,719
Utilities & Supplies	101,664	102,348	118,735	86,594	58,598	91,600	84,700
Maintenance & Repair	122,484	13,490	184,116	200,121	167,424	208,340	214,460
Contractual Payments	1,025,198	994,716	1,039,228	1,076,790	692,561	1,180,000	1,280,000
Insurance & Miscellaneous	61,755	149,570	217,955	132,776	251,678	204,210	404,800
<b>Operating Expenditures</b>	<b>1,689,027</b>	<b>1,630,364</b>	<b>1,826,744</b>	<b>1,917,670</b>	<b>1,469,146</b>	<b>2,090,223</b>	<b>2,454,679</b>





**Operating Expenditures** - Operating expenditures for Fiscal Year 2024 are budgeted at \$2,469,532 (without depreciation). This is an increase of \$679,299 over Fiscal Year 2023 budget and \$406,716 over actual for FY23 (unaudited).



**Debt Service - \$435,981** is budgeted for principal and interest payments on existing debt. Of this, \$280,987 is principal repayment, which does not affect net position but rather offsets the long-term liabilities. Debt service includes a 10-year Meter Capital Lease, which will be completed in FY24.

**Interfund Transfers from the Enterprise Fund – \$56,000** The FY24 budget contains two transfers from the Enterprise Fund. A \$34,000 transfer to the I&I fund represents the portion of the utility bill allocated to offset future improvements to the sewer lines. A \$22,000 transfer is set aside to the Capital Improvement Fund to build a reserve for future improvements needed as a result of aging infrastructure and growth.

**Impact Fees** – In August 2019, Council adopted Ordinance 19-459, allowing impact fees to be charged on all new construction. Impact fees collected are set aside in the Utility Capital Improvement fund, reserved for future infrastructure improvements necessitated by growth within the city. New construction in areas that will require a connection to city water incur an impact fee based on water meter size. The minimum fee is \$2,414 based on a ¾” meter. With a required wastewater connection, the impact fee minimum is \$2,937. Every 5 years, a new study is required, and impact fees are adjusted. The study is scheduled to be completed during Fiscal Year 2024.

## TRANSPORTATION 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,  $\frac{1}{4}$  of 1% is attributed to the Transportation Fund Street Maintenance & Repair line item.

**Fund Balance** – The Transportation Fund has an expected fund balance of near zero to begin Fiscal Year 2024. During the FY2023 budget process, it was decided to use \$300,000 of current fund balance, along with the residual amount of approximately \$450,000 allocated to streets within the 2019A bond fund, to complete the Oak Wood Shores streets.

Originally, it was decided to transfer \$575,000 from General Fund fund balance to Transportation to defray the cost of reconstructing 2 streets. However, the immediate need for equipment was brought to city council and it was decided to use these funds for the purchase of approximately \$350,000 in equipment for the Public Works department. While a portion of the equipment was purchased during FY23, the remaining equipment was not available until sometime in FY24 and will be purchased at that time.





**City of Richwood  
Transportation Fund Budget FY23-24**

**25 Transportation: Streets, Sidewalks & Drainage Fund - 10/01/2023 to 09/30/2024**

*approved 9/11/2023*

	2021	2022	2023	2023	2024
	Actual	Actual	Actual	Budget	Approved
			through 9/1/23		Budget
<b>Change in Fund Balance</b>					
<b>Revenue</b>					
<b>Taxes</b>					
404126 Sales Tax - Streets	160,264	182,604	119,801	185,000	160,000
<b>Total Taxes</b>	<b>160,264</b>	<b>182,604</b>	<b>119,801</b>	<b>185,000</b>	<b>160,000</b>
<b>Charges for services</b>					
404125 Transportation Fee	141,215	141,660	130,835	142,000	142,500
<b>Total Charges for services</b>	<b>141,215</b>	<b>141,660</b>	<b>130,835</b>	<b>142,000</b>	<b>142,500</b>
<b>Interest</b>					
404110 Interest Earnings	58	3,703	20,825	1,750	2,000
<b>Total Interest</b>	<b>58</b>	<b>3,703</b>	<b>20,825</b>	<b>1,750</b>	<b>2,000</b>
<b>Total Revenue</b>	<b>301,537</b>	<b>327,967</b>	<b>271,461</b>	<b>328,750</b>	<b>304,500</b>
<b>Expenditures</b>					
<b>Public Works</b>					
<b>Transportation</b>					
405380 Streets M&R	26,107	69,739	170,784	232,333	207,500
405382 Sidewalks M&R	28,690	235	3,615	47,334	47,500
405385 Drainage M&R	16,226	6,088	51,263	47,333	47,500
<b>Total Transportation</b>	<b>71,023</b>	<b>76,062</b>	<b>225,662</b>	<b>327,000</b>	<b>302,500</b>
<b>Total Public Works</b>	<b>71,023</b>	<b>76,062</b>	<b>225,662</b>	<b>327,000</b>	<b>302,500</b>
<b>Capital Improvements</b>					
405915 Capital Expenditures - Streets	0	0	354,488	1,325,000	0
405916 Capital Expenditures - Sidewalk	0	0	374,374	0	0
405917 Capital Expenditures - Drainage	0	0	423,226	0	0
<b>Total Capital Improvements</b>	<b>0</b>	<b>0</b>	<b>1,152,088</b>	<b>1,325,000</b>	<b>0</b>
<b>Total Expenditures</b>	<b>71,023</b>	<b>76,062</b>	<b>1,377,750</b>	<b>1,652,000</b>	<b>302,500</b>
<b>Other Financing Sources and Uses</b>					
<b>Sources</b>					
404127 Transfer from General Fund	0	0	0	575,000	0
404128 Transfer from Bond Fund	0	0	245,749	450,000	0
404127 Transfer from Fund Balance	0	0	0	300,000	0
<b>Total Sources</b>	<b>0</b>	<b>0</b>	<b>245,749</b>	<b>1,325,000</b>	<b>0</b>
<b>Uses</b>					
985965 Transfer out	0	0	0	0	0
<b>Total Uses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Other Financing Sources and Uses</b>	<b>0</b>	<b>0</b>	<b>245,749</b>	<b>1,325,000</b>	<b>0</b>
<b>Total Change in Fund Balance</b>	<b>230,514</b>	<b>251,905</b>	<b>-860,540</b>	<b>1,750</b>	<b>2,000</b>

## **DEBT SERVICE FUND**



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. The City of Richwood maintains an AA- Bond Credit Rating with S&P Global. More information on Richwood’s debt status can be found at [Traditional Finance – City of Richwood, Texas \(richwoodtx.gov\)](http://richwoodtx.gov/Traditional_Finance)

The City’s Debt Limit is calculated based on the City’s tax rate limitation, as defined in Article XI, Section 4 of the Texas Constitution, which is applicable to cities with a population of 5,000 or less. Article XI, Section 4, limits the City’s total tax rate to \$1.50 per \$100 of taxable assessed valuation.

The following shows the calculation for the City’s legal debt limitation based on the tax year 2022 and 2023:

City of Richwood Legal Debt Margin Calculation		
Tax Rate	Tax Year 2022	Tax Year 2023
Maintenance and Operations ("M&O")	\$0.490081	\$0.441823
Debt Service ("I&S")	0.116729	0.098764
<b>Total Tax Rate</b>	<b>\$0.606810</b>	<b>\$0.540587</b>
Tax Rate Limitation (Article XI, Section 4)	\$1.500000	\$1.500000
Less: M&O Tax Rate	(0.490081)	(0.441823)
<b>Debt Limit Tax Rate</b>	<b>\$1.009919</b>	<b>\$1.058177</b>
<b>Net Taxable Value</b>	<b>\$408,926,362</b>	<b>\$498,239,940</b>
Maximum Legal Debt Limit (@ \$1.009919)	\$4,129,825	\$5,272,260
City's Maximum Annual Debt Service (2024)	(849,044)	(849,044)
<b>Legal Debt Margin</b>	<b>\$3,280,781</b>	<b>\$4,423,216</b>
<b>Additional Debt Capacity (in Bonds) (a):</b>	<b>\$49,675,000</b>	<b>\$66,900,000</b>
(a) Additional Debt Capacity depends on factors, such as the interest rate environment.		

As this calculation shows, Richwood has the capacity to incur more debt and remain within legal limits. However, this is not something that staff are inclined to do if it can be avoided. Staff, with the guidance of the City Manager, are exploring ways to meet needs on a “Pay as you go” basis rather than with additional debt.



## CITY OF RICHWOOD DEBT OBLIGATION FY 2024

I&S Tax Supported Debt	Principal	Interest	Total
Series 2011, General Obligation Refunding Bonds	\$ 70,000	\$ 2,191	\$ 72,191
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 2021, General Obligation Bonds	45,000	50,850	\$ 95,850
FNBLJ Loan - Municipal Building	15,074	6,314	\$ 21,389
	<b>\$ 325,074</b>	<b>\$ 163,030</b>	<b>\$ 488,105</b>
Water & Sewer System Supported Debt	Principal	Interest	Total
Series 2004, Tax & Revenue Certificates of Obligation Bonds	\$ 35,000	\$ 3,269	\$ 38,269
Series 2011, Tax & Revenue Certificates of Obligation	40,000	15,171	\$ 55,171
Series 2019B, General Obligation Bonds	135,000	132,500	\$ 267,500
	<b>\$ 210,000</b>	<b>\$ 150,940</b>	<b>\$ 360,940</b>

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 FY23 is \$75,000 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 FY23 is \$390,000 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 FY23 is \$70,000 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 FY23 is \$585,000 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 FY23 is \$2,255,000 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 \$3,480,000 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 FY23 is \$173,992. Final payoff is scheduled for August 2032.





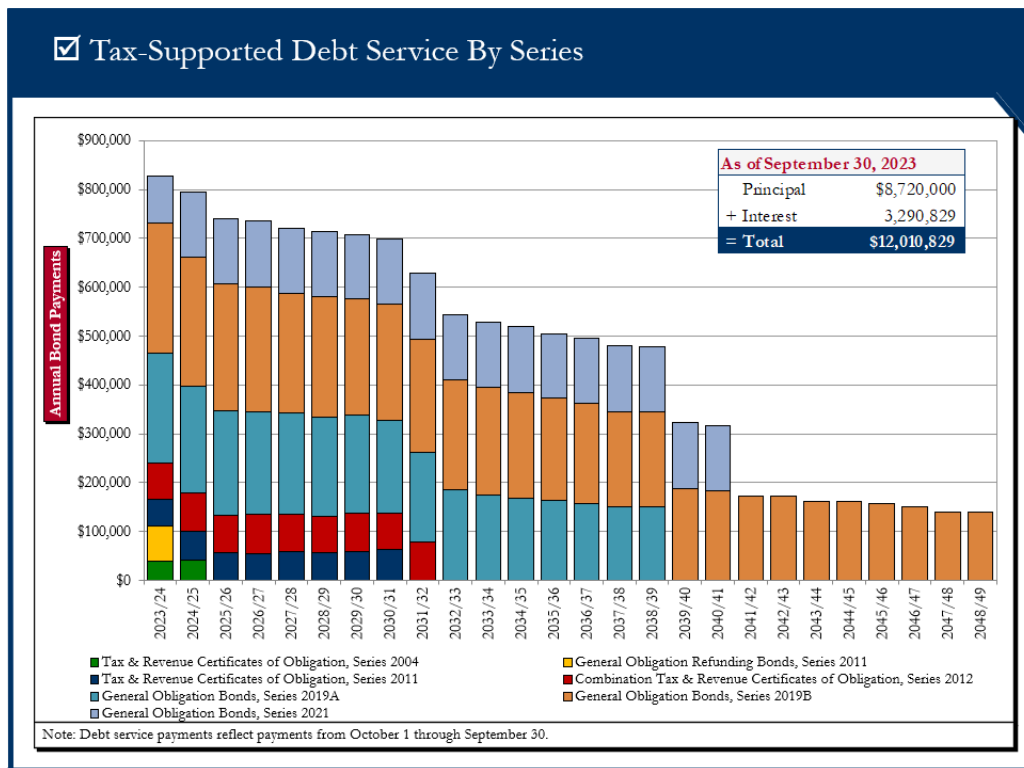
- **\$1,940,000 General Obligation Bonds Series 2021** – issued for the purpose of streets, sidewalks, and drainage construction. This bond issuance is the remaining amount from the bond issuance approved by voters in November 2018. Outstanding balance at the end of FY23 is \$1,865,000.

## LOOKING FORWARD

The city of Richwood has no current plans for acquiring additional debt and is taking steps to reduce or eliminate the need for debt within the next few years.

Infrastructure improvements, which would have incurred debt, have been completed with the assistance of available grants. The improvements affecting drainage and redundancy were included in long range goals developed 5 years prior.

Fiscal Year 2024 is the final year for payment on Series 2011, General Obligation Refunding Bonds, which are paid from the Enterprise Fund. Fiscal Year 2025 is the final year for payment on Series 2004, Tax & Revenue Certificates of Obligation Bonds, which are paid from the Enterprise Fund. It is the intention of staff to place the funds made available by the retirement of these bond payments into either the Utility Capital Project or the Inflow and Infiltration funds.





## Debt Repayment Schedule

Year	Series	Annual Payments		Annual	Principal
		Principal	Interest	Total	Balance
<b>2024</b>	Series 2004, Tax & Revenue Certificates of Obligation Bonds	35,000.00	3,269.00	<b>38,269.00</b>	<b>40,000.00</b>
	Series 2011, General Obligation Refunding Bonds	70,000.00	2,191.00	<b>72,191.00</b>	<b>0.00</b>
	Series 2011, Tax & Revenue Certificates of Obligation	40,000.00	15,171.00	<b>55,171.00</b>	<b>350,000.00</b>
	Series 2012, Tax & Revenue Certificates of Obligation Bonds	55,000.00	20,475.00	<b>75,475.00</b>	<b>530,000.00</b>
	Series 2019A, General Obligation Bonds	140,000.00	83,200.00	<b>223,200.00</b>	<b>2,115,000.00</b>
	Series 2019B, General Obligation Bonds	135,000.00	132,500.00	<b>267,500.00</b>	<b>3,345,000.00</b>
	Series 2021 General Obligation Bonds	45,000.00	50,850.00	<b>95,850.00</b>	<b>1,820,000.00</b>
	FNB Lake Jackson City Hall Loan	15,074.27	6,314.36	<b>21,388.63</b>	<b>158,917.70</b>
		<b>535,074.27</b>	<b>313,970.36</b>	<b>849,044.63</b>	<b>8,358,917.70</b>
<b>2025</b>	Series 2004, Tax & Revenue Certificates of Obligation Bonds	40,000.00	1,140.00	<b>41,140.00</b>	<b>0.00</b>
	Series 2011, Tax & Revenue Certificates of Obligation	45,000.00	13,615.00	<b>58,615.00</b>	<b>305,000.00</b>
	Series 2012, Tax & Revenue Certificates of Obligation Bonds	60,000.00	18,550.00	<b>78,550.00</b>	<b>470,000.00</b>
	Series 2019A, General Obligation Bonds	140,000.00	79,000.00	<b>219,000.00</b>	<b>1,975,000.00</b>
	Series 2019B, General Obligation Bonds	135,000.00	128,450.00	<b>263,450.00</b>	<b>3,210,000.00</b>
	Series 2021 General Obligation Bonds	85,000.00	49,500.00	<b>134,500.00</b>	<b>1,735,000.00</b>
	FNB Lake Jackson City Hall Loan	15,647.56	5,741.08	<b>21,388.64</b>	<b>143,270.14</b>
			<b>520,647.56</b>	<b>295,996.08</b>	<b>816,643.64</b>
<b>2026</b>	Series 2011, Tax & Revenue Certificates of Obligation	45,000.00	11,864.50	<b>56,864.50</b>	<b>260,000.00</b>
	Series 2012, Tax & Revenue Certificates of Obligation Bonds	60,000.00	16,450.00	<b>76,450.00</b>	<b>410,000.00</b>
	Series 2019A, General Obligation Bonds	140,000.00	74,800.00	<b>214,800.00</b>	<b>1,835,000.00</b>
	Series 2019B, General Obligation Bonds	135,000.00	124,400.00	<b>259,400.00</b>	<b>3,075,000.00</b>
	Series 2021 General Obligation Bonds	85,000.00	46,950.00	<b>131,950.00</b>	<b>1,650,000.00</b>
	FNB Lake Jackson City Hall Loan	16,242.64	5,146.00	<b>21,388.64</b>	<b>127,027.50</b>
		<b>481,242.64</b>	<b>279,610.50</b>	<b>760,853.14</b>	<b>7,357,027.50</b>
<b>2027</b>	Series 2011, Tax & Revenue Certificates of Obligation	45,000.00	10,114.00	<b>55,114.00</b>	<b>215,000.00</b>
	Series 2012, Tax & Revenue Certificates of Obligation Bonds	65,000.00	14,350.00	<b>79,350.00</b>	<b>345,000.00</b>
	Series 2019A, General Obligation Bonds	140,000.00	70,600.00	<b>210,600.00</b>	<b>1,695,000.00</b>
	Series 2019B, General Obligation Bonds	135,000.00	120,350.00	<b>255,350.00</b>	<b>2,940,000.00</b>
	Series 2021 General Obligation Bonds	90,000.00	44,400.00	<b>134,400.00</b>	<b>1,560,000.00</b>
	FNB Lake Jackson City Hall Loan	16,860.36	4,528.28	<b>21,388.64</b>	<b>110,167.14</b>
		<b>491,860.36</b>	<b>264,342.28</b>	<b>756,202.64</b>	<b>6,865,167.14</b>
<b>2028</b>	Series 2011, Tax & Revenue Certificates of Obligation	50,000.00	8,363.50	<b>58,363.50</b>	<b>165,000.00</b>
	Series 2012, Tax & Revenue Certificates of Obligation Bonds	65,000.00	12,075.00	<b>77,075.00</b>	<b>280,000.00</b>
	Series 2019A, General Obligation Bonds	140,000.00	66,400.00	<b>206,400.00</b>	<b>1,555,000.00</b>
	Series 2019B, General Obligation Bonds	130,000.00	116,300.00	<b>246,300.00</b>	<b>2,810,000.00</b>
	Series 2021 General Obligation Bonds	90,000.00	41,700.00	<b>131,700.00</b>	<b>1,470,000.00</b>
	FNB Lake Jackson City Hall Loan	17,501.57	3,887.06	<b>21,388.63</b>	<b>92,665.57</b>
		<b>492,501.57</b>	<b>248,725.56</b>	<b>741,227.13</b>	<b>6,372,665.57</b>
<b>2029</b>	Series 2011, Tax & Revenue Certificates of Obligation	50,000.00	6,418.50	<b>56,418.50</b>	<b>115,000.00</b>
	Series 2012, Tax & Revenue Certificates of Obligation Bonds	65,000.00	9,800.00	<b>74,800.00</b>	<b>215,000.00</b>
	Series 2019A, General Obligation Bonds	140,000.00	62,200.00	<b>202,200.00</b>	<b>1,415,000.00</b>
	Series 2019B, General Obligation Bonds	135,000.00	112,400.00	<b>247,400.00</b>	<b>2,675,000.00</b>
	Series 2021 General Obligation Bonds	95,000.00	39,000.00	<b>134,000.00</b>	<b>1,375,000.00</b>
	FNB Lake Jackson City Hall Loan	18,167.16	3,221.47	<b>21,388.63</b>	<b>74,498.41</b>
		<b>503,167.16</b>	<b>233,039.97</b>	<b>736,207.13</b>	<b>5,869,498.41</b>



Year	Series	Annual Payments		Annual Total	Principal Balance
		Principal	Interest		
2030	Series 2011, Tax & Revenue Certificates of Obligation	55,000.00	4,473.00	59,473.00	60,000.00
	Series 2012, Tax & Revenue Certificates of Obligation Bonds	70,000.00	7,525.00	77,525.00	145,000.00
	Series 2019A, General Obligation Bonds	145,000.00	56,600.00	201,600.00	1,270,000.00
	Series 2019B, General Obligation Bonds	130,000.00	107,000.00	237,000.00	2,545,000.00
	Series 2021 General Obligation Bonds	95,000.00	36,150.00	131,150.00	1,280,000.00
	FNB Lake Jackson City Hall Loan	18,858.08	2,530.56	21,388.64	55,640.33
		<b>513,858.08</b>	<b>214,278.56</b>	<b>728,136.64</b>	<b>5,355,640.33</b>
2031	Series 2011, Tax & Revenue Certificates of Obligation	60,000.00	2,334.00	62,334.00	0.00
	Series 2012, Tax & Revenue Certificates of Obligation Bonds	70,000.00	2,334.00	72,334.00	75,000.00
	Series 2019A, General Obligation Bonds	140,000.00	50,800.00	190,800.00	1,130,000.00
	Series 2019B, General Obligation Bonds	135,000.00	101,800.00	236,800.00	2,410,000.00
	Series 2021 General Obligation Bonds	100,000.00	33,300.00	133,300.00	1,180,000.00
	FNB Lake Jackson City Hall Loan	19,575.26	1,813.38	21,388.64	36,065.07
		<b>524,575.26</b>	<b>192,381.38</b>	<b>716,956.64</b>	<b>4,831,065.07</b>
2032	Series 2012, Tax & Revenue Certificates of Obligation Bonds	75,000.00	2,625.00	77,625.00	0.00
	Series 2019A, General Obligation Bonds	140,000.00	45,200.00	185,200.00	990,000.00
	Series 2019B, General Obligation Bonds	135,000.00	96,400.00	231,400.00	2,275,000.00
	Series 2021 General Obligation Bonds	105,000.00	30,300.00	135,300.00	1,075,000.00
	FNB Lake Jackson City Hall Loan	20,319.72	1,068.92	21,388.64	15,745.35
		<b>475,319.72</b>	<b>175,593.92</b>	<b>650,913.64</b>	<b>4,355,745.35</b>
2033	Series 2019A, General Obligation Bonds	145,000.00	39,600.00	184,600.00	845,000.00
	Series 2019B, General Obligation Bonds	135,000.00	91,000.00	226,000.00	2,140,000.00
	Series 2021 General Obligation Bonds	105,000.00	27,150.00	132,150.00	970,000.00
	FNB Lake Jackson City Hall Loan	15,745.35	296.14	16,041.49	0.00
		<b>400,745.35</b>	<b>158,046.14</b>	<b>558,791.49</b>	<b>3,955,000.00</b>
2034	Series 2019A, General Obligation Bonds	140,000.00	33,800.00	173,800.00	705,000.00
	Series 2019B, General Obligation Bonds	135,000.00	85,600.00	220,600.00	2,005,000.00
	Series 2021 General Obligation Bonds	110,000.00	24,000.00	134,000.00	860,000.00
		<b>385,000.00</b>	<b>143,400.00</b>	<b>528,400.00</b>	<b>3,570,000.00</b>
2035	Series 2019A, General Obligation Bonds	140,000.00	28,200.00	168,200.00	565,000.00
	Series 2019B, General Obligation Bonds	135,000.00	80,200.00	215,200.00	1,870,000.00
	Series 2021 General Obligation Bonds	115,000.00	20,700.00	135,700.00	745,000.00
		<b>390,000.00</b>	<b>129,100.00</b>	<b>519,100.00</b>	<b>3,180,000.00</b>
2036	Series 2019A, General Obligation Bonds	140,000.00	22,600.00	162,600.00	425,000.00
	Series 2019B, General Obligation Bonds	135,000.00	74,800.00	209,800.00	1,735,000.00
	Series 2021 General Obligation Bonds	115,000.00	17,250.00	132,250.00	630,000.00
		<b>390,000.00</b>	<b>114,650.00</b>	<b>504,650.00</b>	<b>2,790,000.00</b>
2037	Series 2019A, General Obligation Bonds	140,000.00	17,000.00	157,000.00	285,000.00
	Series 2019B, General Obligation Bonds	135,000.00	69,400.00	204,400.00	1,600,000.00
	Series 2021 General Obligation Bonds	120,000.00	13,800.00	133,800.00	510,000.00
		<b>395,000.00</b>	<b>100,200.00</b>	<b>495,200.00</b>	<b>2,395,000.00</b>
2038	Series 2019A, General Obligation Bonds	140,000.00	11,400.00	151,400.00	145,000.00
	Series 2019B, General Obligation Bonds	130,000.00	64,000.00	194,000.00	1,470,000.00
	Series 2021 General Obligation Bonds	125,000.00	10,200.00	135,200.00	385,000.00
		<b>395,000.00</b>	<b>85,600.00</b>	<b>480,600.00</b>	<b>2,000,000.00</b>



Year	Series	Annual Payments		Annual Total	Principal Balance
		Principal	Interest		
2039	Series 2019A, General Obligation Bonds	145,000.00	5,800.00	150,800.00	0.00
	Series 2019B, General Obligation Bonds	135,000.00	58,800.00	193,800.00	1,335,000.00
	Series 2021 General Obligation Bonds	125,000.00	7,700.00	132,700.00	260,000.00
		<b>405,000.00</b>	<b>72,300.00</b>	<b>477,300.00</b>	<b>1,595,000.00</b>
2040	Series 2019B, General Obligation Bonds	135,000.00	53,400.00	188,400.00	1,200,000.00
	Series 2021 General Obligation Bonds	130,000.00	5,200.00	135,200.00	130,000.00
		<b>265,000.00</b>	<b>58,600.00</b>	<b>323,600.00</b>	<b>1,330,000.00</b>
2041	Series 2019B, General Obligation Bonds	135,000.00	48,000.00	183,000.00	1,065,000.00
	Series 2021 General Obligation Bonds	130,000.00	2,600.00	132,600.00	0.00
		<b>530,000.00</b>	<b>109,200.00</b>	<b>639,200.00</b>	<b>2,395,000.00</b>
2042	Series 2019B, General Obligation Bonds	130,000.00	42,600.00	172,600.00	935,000.00
2043	Series 2019B, General Obligation Bonds	135,000.00	37,400.00	172,400.00	800,000.00
2044	Series 2019B, General Obligation Bonds	130,000.00	32,000.00	162,000.00	670,000.00
2045	Series 2019B, General Obligation Bonds	135,000.00	26,800.00	161,800.00	535,000.00
2046	Series 2019B, General Obligation Bonds	135,000.00	21,400.00	156,400.00	400,000.00
2047	Series 2019B, General Obligation Bonds	135,000.00	16,000.00	151,000.00	265,000.00
2048	Series 2019B, General Obligation Bonds	130,000.00	10,600.00	140,600.00	135,000.00
2049	Series 2019B, General Obligation Bonds	135,000.00	5,400.00	140,400.00	0.00



The North Water Plant will come online in early FY24. At a cost of \$4,000,000, the NWP was funded with the Series 2019B General Obligation Bonds, with a term ending after the final payments in 2049. The bonds were approved by election in May 2019.





## BOND FUNDED INFRASTRUCTURE UPGRADES

### 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.

Bond issuance known as “Series B” is funding construction of potable water infrastructure upgrades to increase high service pumping capacity, increase water production, and increase and stabilize water distribution static pressures. This CIP is known as the North Water Plant and was engineered to be constructed under four (4) separate contracts. These construction contracts represent the following infrastructure upgrades under the North Water Plant umbrella.

**Series B General Obligation Bond = \$4,000,000.00**

**North Water Plant subcontracts are:**

- 1. Water Distribution Interconnects in the Oakwood Shores Subdivision**
- 2. Water Well**
- 3. 350,000 Ground Storage Water Tank**
- 4. Booster Room/Booster Station**

In FY 21, items 1 & 2 were awarded, and construction completed. Item 3 was bid, and construction contracts were awarded. Construction for items 3 & 4 will be completed in FY 23. Delays due to supply chain issues have been experienced. Additional costs for engineering and oversight will be absorbed within the bond fund, using interest realized. The North Water Plant will be completed and put into service in early FY24.

## GRANT FUNDED INFRASTRUCTURE UPGRADES

In FY 23 Public Works along with other Richwood Administrative Staff were engaged with three separate grants funding water infrastructure improvement projects, wastewater infrastructure improvement projects, and alternate or back power sources for water well and lift station sites. These three ongoing grants are:

**CDBG-DR (Community Development Block Grant - Disaster Recovery)**

**ARPA (American Rescue Plan Act)**

**CDBG (Community Development Block Grant)**

In FY 21 construction contracts were awarded for the CDBG-DR grant project which includes wastewater infrastructure upgrades in the form of sewer line pipe bursting and replacement, long and short side sewer service replacement, and manhole replacement. The target area for this grant project is Cypress Ct., Briar Creek, and Quail Run. The project was completed during FY23 and is currently being closed out by TDEM with our administrator Grant Works.



In FY 21 Richwood learned of funds being allocated to the city under the American Rescue Plan Act. The ARPA Grant funds specific infrastructure upgrades being water, wastewater, or communications infrastructure upgrades.

In response to widespread power outages of winter storm Uri, the Environmental Protection Agency (EPA) as well as the Texas Commission on Environmental Quality (TCEQ) instituted mandates for public water systems to establish redundancy within their systems for the purpose of supplying sufficient water and wastewater services to their customers during power outages. The American Water Infrastructure Act (AWIA) Risk and Resiliency Plan as well as the required Emergency Response Plan identifies threats and processes of how to combat those threats with specific regard to water production and wastewater processing for public water systems.

Two deposits were received by the city of Richwood, with \$494,085 received in FY21 and \$495,062 in FY22 for a total of \$989,147.

In FY 21 careful consideration by staff on how ARPA funds were to be utilized responsibly was determined and best realized by adding generator back power at water well and lift station sites around the city as well as improving aging high service pumping infrastructure in the city. In FY 21 planning began for these projects. Construction will continue into FY 24.

In FY23, Richwood was awarded \$2,456,500 for the Community Development Grant – Mitigation (CDBG-MIT) Program's Method of Distribution (MOD). These grant funds will serve to enhance existing drainage in areas of the city that qualify as "Moderate Income". Public Management is the grant administrator for this project, which will include reconstruction of Quail Run, Briar Creek, and Four Oaks streets, including drainage, water service lines and fire hydrants and will take place during FY24. This area has historically seen flood conditions in heavy rains and contains streets in poor condition and aged water mains.

### ***LOOKING FORWARD***

The City of Richwood has seen growth 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 customer. 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, which will be completed in FY24, 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:



- Increased Elevation added to Richwood’s current water towers (will increase static pressure distribution wide).
- Additional distribution water line loops (serves to circulate water more effectively/eliminates distribution dead ends).
- 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)
- Additional ground storage capacity.

While currently in compliance with TCEQ with the addition of the North Water Plant, staff are aware that growth will require these improvements to be constructed. Steps are being taken to build reserve funds to go toward the cost. Water rates are built with reserve funding included, impact fees have been implemented and staff are exploring other options for funding.

**RESERVE FUNDS**

• General Fund Contingency	9/30/2023	\$ 810,975
	FY24 Budget	<u>290,000</u>
	9/30/2024	\$1,100,975

The city has set aside 10% of General Fund expenditures for each of the last 3 years as a reserve for unforeseen financial needs, such as damage from storms and infrastructure failure. The fund is now at a level that staff are considering uses for some or all of the amount for projects or transfers to other reserve funds.

• Replacement Fund	9/30/2023	\$ 143,230
	FY24 Budget	<u>39,000</u>
	9/30/2024	\$ 182,230

The Replacement fund includes monies set aside for three categories: Equipment, Vehicles, and Fire Department. Each year for the last three years, amounts have been transferred from the General Fund to the Replacement fund for the intent to build a reserve that will cover or defray the cost of equipment or vehicle replacement. Currently, the fire department is carrying a purchase lease for its newest fire engine. An amount is placed into Replacement from the General fund each year to allow for replacement of this engine when its useful life has expired.

City staff and council are aware that the amounts going to Replacement each year are inadequate and are looking for ways to increase the annual transfer.



- Utility Capital Improvement Fund
 

9/30/2023	\$ 449,640
FY24 Budget	( 48,000 )
9/30/2024	\$ 401,640

The Utility Capital Improvement fund receives a transfer from the Enterprise fund annually in the amount of \$22,000. Additionally, all impact fee revenue is posted to this fund.

This reserve fund is also funded inadequately for future needs and staff is exploring ways to increase the revenue and transfers posted into this fund. A rate study will be conducted during FY24 to analyze and recalculate the impact fees charged to new construction.

A transfer from this fund to the enterprise fund is budgeted for the cost of engineering for a grant project.

- Inflow & Infiltration (I&I) Fund
 

9/30/2023	\$ 117,369
FY24 Budget	34,000
9/30/2024	\$ 151,369

In 2019, approved sewer rates included a portion to go to this newly formed fund as a reserve for needs resulting from inflow and infiltration into the sewer system. \$34,000 is transferred annually to the I&I fund. It was the goal to build this fund to a level within 5 years that a major project could be completed.

It has been found that the amount from the utility billing is inadequate for building the reserve to the needed levels. Staff are exploring other avenues for building this reserve.

As noted, each of these reserve funds, with the exception of the General Fund contingency, are underfunded. Future budget discussions and rate studies will include funding options and adjustments. It is the goal of staff to build adequate reserves to decrease or eliminate the need for future debt. Maintaining a tax rate that allows for funding of reserves is essential.

# CHANGES COMING

Infrastructure projects, housing developments and more on the way in 2024

By **EMILY HANSON, LINDSEY KINANE, CLARA TYLER AND CYNTHIA ZELAYA**

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Fresh oil is laid Thursday on Oakwood Shores Drive in Richwood.

Now that 2024 has begun, the leaders of the Brazosport-area cities — Clute, Freeport, Lake Jackson and Richwood — are setting their sights on the future.

The cities all have infrastructure projects in the works, several will see new businesses open and plans for additional housing options are on the table as well.

## RICHWOOD

The city is working on a \$3 million street bond construction project that should probably be completed in January.

“The project is being done to reconstruct streets that have failed to the point where they were not repairable anymore,” City Manager Eric Foerster said. “This is caused by a failure of the material under the pavement surface.”

A Community Development Block Grant, or mitigation grant, that Foerster said will take most of 2024 to complete will create new streets and drainage for Briar Creek, Four Oaks and Quail Run.

This is a \$2.5 million grant that is currently in the engineering phase.

“These streets shouldn’t be repaired without completing the necessary drainage repairs to keep them from having standing water,” Foerster said.

A pending project called American Rescue Plan (Coronavirus Local Fiscal Recovery Fund) is planning to have three new generators for a freshwater well site and sewage lift stations.

The cost is estimated to be about \$1 million.



## SPECIAL REVENUE FUNDS



Special 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



Richwood signs such as this one located at the intersection of FM 2004 and state highway 288B are maintained by Keep Richwood Beautiful as part of their beautification efforts. KRB is accounted for within the 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 and the CCPD board is responsible for all decisions made regarding spending. An annual budget is prepared and approved by the CCPD board. It is then brought to City Council for approval, after which It is incorporated into the City Budget. The CCPD fund expects to begin FY24 with a balance of \$319,268. Sales Tax revenues of \$158,492 were recorded during FY23 and are projected at \$160,000 for FY24.

The CCPD board has approved budgeted expenditures for FY24 in the amount of \$216,000. This includes \$185,000 for equipment replacement, \$15,00 for training and travel, \$6,000 for uniforms, and \$10,000 for police department community outreach activities. In addition, the CCPD board approved a transfer of \$25,000 to the general fund to assist with police overtime. The ending fund balance will be approximately \$239,168.



Delivery of new police patrol unit purchased with CCPD funds.





**City of Richwood  
Crime Control & Prevention District Budget FY23-24**

**15 Crime Control and Prevention - 10/01/2023 to 09/30/2024**

*approved 9/11/2023*

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Approved</b>	
			<i>through 9/1/23</i>			<b>Budget</b>
<b>Change in Fund Balance</b>						
<b>Revenue</b>						
<b>Taxes</b>						
604117 Sales Tax	158,402	185,074	116,438	185,000	160,000	
<b>Total Taxes</b>	<b>158,402</b>	<b>185,074</b>	<b>116,438</b>	<b>185,000</b>	<b>160,000</b>	
<b>Interest</b>						
604110 Interest Earnings	6	100	2,703	0	900	
<b>Total Interest</b>	<b>6</b>	<b>100</b>	<b>2,703</b>	<b>0</b>	<b>900</b>	
<b>Miscellaneous revenue</b>						
604112 Miscellaneous Income	0	0	1,120	0	0	
<b>Total Miscellaneous revenue</b>	<b>0</b>	<b>0</b>	<b>1,120</b>	<b>0</b>	<b>0</b>	
<b>Total Revenue</b>	<b>158,408</b>	<b>185,174</b>	<b>120,261</b>	<b>185,000</b>	<b>160,900</b>	
<b>Expenditures</b>						
<b>Crime Control and Prevention</b>						
605130 Training & Travel	410	6,438	9,766	15,000	15,000	
605190 Uniforms	2,319	1,838	4,357	6,000	6,000	
605220 Tools	0	0	13,904	19,000	0	
605287 Community Outreach	6,771	13,953	7,797	10,000	10,000	
605920 Motor Vehicles	114,366	35,300	0	160,000	0	
605930 Equipment	8,773	0	0	0	185,000	
<b>Total Expenditures</b>	<b>132,095</b>	<b>57,529</b>	<b>35,824</b>	<b>210,000</b>	<b>216,000</b>	
<b>Other Financing Sources and Uses</b>						
<b>Sources</b>						
974959 Transfer from Fund Balance	0	0	0	0	80,100	
<b>Total Sources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80,100</b>	
<b>Uses</b>						
975960 Transfer to General Fund	0	74,500	15,000	15,000	25,000	
<b>Total Uses</b>	<b>0</b>	<b>74,500</b>	<b>15,000</b>	<b>15,000</b>	<b>25,000</b>	
<b>Total Other Financing Sources and Uses</b>	<b>0</b>	<b>-74,500</b>	<b>-15,000</b>	<b>-15,000</b>	<b>55,100</b>	
<b>Total Change in Fund Balance</b>	<b>26,313</b>	<b>53,145</b>	<b>69,437</b>	<b>-40,000</b>	<b>0</b>	



**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



### **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 Technology and Security Fund is expected to begin FY24 with a combined balance of \$29,891.





**City of Richwood  
Court Security & Technology Budgets FY23-24**

**17 Court Security - 10/01/2023 to 09/30/2024**

*approved 9/11/2023*

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Approved</b>
			through 9/1/23		<b>Budget</b>
<b>Change in Fund Balance</b>					
<b>Revenue</b>					
044253 Revenues - Court Security	317	192	2,984	300	4,000
<b>Total Revenue</b>	<b>317</b>	<b>192</b>	<b>2,984</b>	<b>300</b>	<b>4,000</b>
<b>Expenditures</b>					
045293 Expenditures - Court Security	0	0	0	300	2,000
<b>Other Financing Sources and Uses</b>					
<b>Sources</b>					
614210 Transfer from General Fund	0	0	6,243	0	0
<b>Total Sources</b>	<b>0</b>	<b>0</b>	<b>6,243</b>	<b>0</b>	<b>0</b>
<b>Total Other Financing Sources and Uses</b>	<b>0</b>	<b>0</b>	<b>6,243</b>	<b>0</b>	<b>0</b>
<b>Total Change in Fund Balance</b>	<b>317</b>	<b>192</b>	<b>9,227</b>	<b>0</b>	<b>2,000</b>

**18 Court Technology - 10/01/2023 to 09/30/2024**

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Proposed</b>
			through 9/1/23		<b>Budget</b>
<b>Change in Fund Balance</b>					
<b>Revenue</b>					
044254 Revenues - Court Technology	423	257	2,504	350	3,400
<b>Total Revenue</b>	<b>423</b>	<b>257</b>	<b>2,504</b>	<b>350</b>	<b>3,400</b>
<b>Expenditures</b>					
<b>General Government</b>					
<b>Special Revenue Expenditures</b>					
045294 Expenditures - Court Tech	0	0	2,822	350	2,000
<b>Total Special Revenue Expenditures</b>	<b>0</b>	<b>0</b>	<b>2,822</b>	<b>350</b>	<b>2,000</b>
<b>Total General Government</b>	<b>0</b>	<b>0</b>	<b>2,822</b>	<b>350</b>	<b>2,000</b>
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>2,822</b>	<b>350</b>	<b>2,000</b>
<b>Other Financing Sources and Uses</b>					
<b>Sources</b>					
614210 Transfer from General Fund	0	0	5,096	0	0
<b>Total Sources</b>	<b>0</b>	<b>0</b>	<b>5,096</b>	<b>0</b>	<b>0</b>
<b>Total Other Financing Sources and Uses</b>	<b>0</b>	<b>0</b>	<b>5,096</b>	<b>0</b>	<b>0</b>
<b>Total Change in Fund Balance</b>	<b>423</b>	<b>257</b>	<b>4,778</b>	<b>0</b>	<b>1,400</b>



**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 from utility bills. This revenue is restricted to use for the beautification of the City of Richwood. The General Fund annual budget contains a transfer to Beautification in the amount of \$5,000.

Revenues for FY23 were \$15,531. Expenditures totaled approximately \$23,775, leaving an ending fund balance of about \$15,459 going into FY24.

**City of Richwood  
Beautification Fund Budget FY23-24**

**20 Beautification - 10/01/2023 to 09/30/2024**

*approved 9/11/2023*

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Approved</b>
			through 9/1/23		<b>Budget</b>
<b>Change in Fund Balance</b>					
<b>Revenue</b>					
<b>Charges for services</b>					
614124 Beautification Revenues	15,290	15,423	14,259	15,300	15,500
<b>Total Charges for services</b>	<b>15,290</b>	<b>15,423</b>	<b>14,259</b>	<b>15,300</b>	<b>15,500</b>
<b>Miscellaneous revenue</b>					
614112 Miscellaneous Income	1,300	0	215	0	0
614114 Community Garden Membership Fees	1,250	485	0	1,500	0
614115 Farmers Market Revenue	2,239	659	0	0	0
<b>Total Miscellaneous revenue</b>	<b>4,789</b>	<b>1,144</b>	<b>215</b>	<b>1,500</b>	<b>0</b>
<b>Total Revenue</b>	<b>20,079</b>	<b>16,567</b>	<b>14,474</b>	<b>16,800</b>	<b>15,500</b>
<b>Expenditures</b>					
<b>Parks &amp; Recreation</b>					
<b>Beautification</b>					
615102 Contract Labor	4,425	7,610	6,155	10,700	6,000
615130 Training & Travel	1,211	5,043	1,529	5,500	3,000
615210 Office Supplies	158	85	37	225	225
615220 Tools	202	0	0	250	250
615225 Books and Periodicals	50	0	0	100	100
615240 Expendable Operating Supplies	2,151	836	1,096	2,000	1,000
615310 Building & Grounds M&R	1,105	1,798	0	2,100	1,000
615660 Dues & Subscriptions	295	403	881	400	120
615685 Publishing & Advertising	843	840	0	1,000	200
615695 Special Services - Miscellaneous	757	1,000	0	1,000	500
615930 Equipment	1,037	0	0	1,000	500
615950 Community Garden	3,444	3,585	1,210	2,400	1,500
<b>Total Beautification</b>	<b>15,678</b>	<b>21,200</b>	<b>10,908</b>	<b>26,675</b>	<b>14,395</b>
<b>Total Expenditures</b>	<b>15,678</b>	<b>21,200</b>	<b>10,908</b>	<b>26,675</b>	<b>14,395</b>
<b>Other Financing Sources and Uses</b>					
<b>Sources</b>					
974963 Transfer from General Fund	3,000	5,000	5,000	5,000	5,000
<b>Total Sources</b>	<b>3,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Total Other Financing Sources and Uses</b>	<b>3,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Total Change in Fund Balance</b>	<b>7,401</b>	<b>367</b>	<b>8,566</b>	<b>-4,875</b>	<b>6,105</b>



As in recent years, the economy creates a difficult situation for budgeting and forecasting. Finance and Management staff has attempted to forecast how our financial picture will look through Fiscal year 2027.

### **❖ Richwood is expecting continued growth.**

- The 2020 US Census shows a population of 4,781. The population in the 2010 census was 3,510. That represents a 37% increase in 10 years. As the Houston metropolitan area grows and moves closer to Richwood, we do not see this growth slowing. Texas is one of the two fastest growing states, with Houston, the country's 4<sup>th</sup> largest city, adding approximately 140,000 between 2020 and 2022. This growth will eventually reach Richwood and we must be ready, with plans for increasing and improving our infrastructure.

### **❖ Property valuations continue to increase.**

- Assessed values in Richwood increased approximately 30% from tax year 2022 to tax year 2023, compared to 12% the year prior.
- Median Sales Price is \$244,950
- Assessed Valuations rose approximately 6% from 2020 to 2021.
- Cities between Richwood and Houston have seen growth as high as 50% in assessed value in the last year.

### **❖ Sales tax revenue has stalled.**

- After increasing every year since 2004, Richwood saw a decrease in sales tax revenue in FY23.
- FY23 saw sales tax revenue just higher than FY21 revenue.
- Sales tax revenue represents less than 20% of all General Fund revenue.

### **❖ Costs are increasing dramatically, and it is unsure how long this will continue.**

Conservative budgeting and spending will continue as we build a strong financial foundation during a time of high inflation.

### **❖ As growth continues, the need for additional and improved infrastructure is crucial for the city to maintain quality services.**

### **❖ Infrastructure is currently at or near full capacity.**

**Staff is projecting:**

### **❖ An increase in General Fund balance of \$950,000 by end of FY 2027 if no fund balance is used for projects.**

### **❖ Continued allocation of 10% of expenditures to be set aside into contingency or other reserve funds.**



- ❖ Continued allocations to Replacement Fund for Vehicles, Equipment, and Fire Vehicles.
- ❖ Consider additional street reconstruction projects using Fund Balance.

**GENERAL FUND PROJECTION:**

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
<b>Total Revenue</b>	2,830,634	2,684,434	2,949,899	3,127,541	3,280,017	3,439,640	3,549,277	3,724,987	3,724,988
<b>Percent change from previous year</b>	4.75%	-5.16%	11.84%	6.02%	4.88%	4.87%	3.19%	4.95%	3.00%
<b>Total Expenditures</b>	2,111,065	2,284,949	2,438,171	2,729,717	3,006,195	2,939,001	2,978,701	3,065,157	3,157,111
<b>Percent change from previous year</b>	6.56%	8.24%	11.84%	11.96%	10.13%	-2.24%	1.35%	2.90%	3.00%
<b>Total change in Fund balance (after interfund transfers)</b>	553,328	36,821	403,825	77,915	-135,169	191,639	235,707	316,315	208,166

*All expectations and projections are not guaranteed. Expenditure projections are conservative in nature.*

- ❖ We expect operating costs for the Enterprise Fund to continue to increase into the foreseeable future.
- ❖ Brazosport Water Authority has expressed concern with available fresh water in the area and are currently building to allow additional reservoir capacity. This comes at a cost to all cities that rely on BWA for water supply. Richwood is one of seven cities that will share this cost.
- ❖ Enterprise utility rates will need to continue to increase as operating costs increase.
- ❖ Expected growth within Richwood will push our capacity for water and sewer to the limits imposed by our infrastructure.
- ❖ Long range development plans developed 5 years ago will need to be reevaluated in FY24 and FY25 to determine if additional debt will be required to meet the demand.
- ❖ Additional demand will also require additional personnel within Public Works.









# POLICIES

## Financial Management Policies

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 evidence 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:

<u>Investment Type</u>	<u>Maximum Investment %</u>
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





**City of Richwood**  
**Finance Department**  
**POLICY AND PROCEDURES**

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**Purchasing Policy**

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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.

**DELEGATION 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 cannot 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 prepared 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.



## GLOSSARY OF TERMS



**380 AGREEMENTS** Economic Development Agreements in accordance with Chapter 380 of the Texas Local Government Code. The terms vary between agreements. They may involve refunding Sales Tax, Property Tax or both to a developer

**ABATEMENT** A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments, and service charges.

**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 from attorneys, engineers, etc. In the case of modified accrual accounting, expenditures are recognized when the goods or services are received and revenues, such as taxes, are recognized 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 has accrued on the bonds from the dated date, or other stated date, up to but not 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 from 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 ratio in which historic earnings meet certain levels of future debt service coverage.

**ADMINISTRATIVE FEES** Administrative Services charges are allocated to all Enterprise Fund activities (e.g., water/ sewer and sanitation) for indirect management and administrative support given by general fund departments.

**AD VALOREM TAXES (Current)** All property, real personal, mixed tangible, intangible, annexations, additions, and improvements to property located within the taxing units jurisdiction which are subject to taxation on January 1 of the current fiscal year. Following the final passage of the appropriations ordinance, City Council sets the tax rate and levy for the current fiscal year beginning October 1 and continuing through the following September 30th.

**AD VALOREM TAXES (Delinquent)** All taxes are due on receipt of bill and are delinquent if not paid before February 1 of the fiscal year in which it is imposed.

**AD VALOREM TAXES (Penalty and Interest)** A delinquent tax incurs a penalty of six (6%) percent of the amount of the tax for the first calendar month it is delinquent, plus one (1%) percent for each additional month of portion of the month the tax remains unpaid prior to July 1 of the year in which it becomes



delinquent. However, the delinquent tax on July 1 incurs a total penalty of twelve (12%) percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent. If a person exercises the split-payment option, as provided by the Property Tax Code, and fails to make the second payment before July 1, the second payment is delinquent and incurs a penalty of twelve (12%) percent of the amount of the unpaid tax. A delinquent tax incurs at the rate of one (1%) percent for each month or portion of a month the tax remains unpaid.

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

**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.

**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.

**ANNUAL COMPREHENSIVE FINANCIAL REPORT** Usually called the ACFR; 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 ACFR. The ACFR 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.

**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.

**APPROPRIATION ORDINANCE** The official enactment by the City Council to establish legal authority for City officials to obligate and expend resources.

**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. . The City's financial policy is to present the General Operating Fund and the Utility Operating Fund as balanced.

**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 PRINCIPAL** 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 opinion 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 from 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.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT (BISD)** This school district serves all school age children living in the City limits of Richwood.

**BRAZOSPORT WATER AUTHORITY (BWA)** A regional water supplier. The City has a contract with BWA to supply approximately one-half of Richwood's water needs.

**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 (EXPENDITURE)** 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, \$10,000 for Richwood.

**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.

**CASH MANAGEMENT** The management of cash necessary to pay for government services while investing temporary cash excesses in order to earn interest revenue. Cash management refers to the activities of the inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds in order to achieve the highest interest and return available for temporary cash balances.

**CERTIFICATE OF DEPOSIT** A deposit with a financial institution for a specified period that earns a specified interest rate.

**CERTIFICATE OF OBLIGATION** A debt instrument that is issued by the City and has the same legal status as a general obligation bond. Proceeds from the issuance of the certificates may be used for the construction of public works or payment of contractual obligations for professional services. These certificates do not require voter approval.

**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.**

**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.

**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.

**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)** This program is overseen by the U.S. Department of Housing and Urban Development (HUD) and provides communities with the resources to address a wide range of unique community development needs.

**COMPONENT UNIT** Based on generally accepted account principles, the Richwood Economic Development Corporation and CCPD are considered component units of the City, and as such are included in the City's annual financial reports.

**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.**

**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.

**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.

**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. Also called a Sinking Fund.

**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.

**DEPRECIATION** The process of estimating and recording the lost usefulness, expired useful life or diminution of service from a fixed asset that cannot or will not be restored by repair and will be replaced. The cost of the fixed asset's lost usefulness is the depreciation or the cost to reserve in order to replace the item at the end of its useful life

**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.

**DIVERSIFICATION** Dividing investment funds among a variety of securities offering independent returns.

**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.

**EXPENDITURE** This term refers to the outflow of funds paid or to be paid for an asset obtained or goods and services obtained regardless of when the expense is actually paid. This term applies to all funds. Note An encumbrance is not an expenditure. An encumbrance reserves funds to be expended.

**EXPENSES** Charges incurred (whether paid immediately or unpaid) for operation, maintenance, interest and other charges.

**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 from 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. The City of Richwood has specified October 1 to September 30 as its fiscal year.

**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**.

**FRANCHISE TAX** This is a charge paid for the use of City streets and public right of way and is in lieu of all other municipal charges, fees, street rentals, pipe taxes or rentals, easement or other like franchise taxes, inspections fees, and/or charges of every kind except Ad Valorem and special assessment taxes for public improvements.

**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**.

**FUNCTION** A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible.

**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 Officers Association*.

**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 officers.

**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. Richwood is a Home Rule city.

**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.

**INVESTMENTS** Securities and real estate held to ensure safety, provide necessary liquidity, and optimize yield for the City's operating cash. The term does not include fixed assets used in governmental operations.

**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 therewith 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.

**LEVEL DEBT PAYMENTS** A method of retiring debt that requires the issuer to make the same annual debt service payment each year. The structure of the repayment schedule is such that principal payments increase and the interest payment decline each year. Level debt payments result in higher interest payments overall, compared to level principal payments.

**LEVEL PRINCIPAL PAYMENTS** A method of retiring debt service payments that requires the issuer to make larger debt service payments in the earlier years of the term. The structure of the repayment schedule is such that principal payments are the same, and the interest payments decline each year. Level principal payments result in lower interest payments overall, compared to level debt payments.

**LEVY** (Verb) To impose taxes, special assessments, or service charges for the support of governmental activities. (Noun) The total amount of taxes, special assessments, or service charges imposed by a government.

**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.

**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.

**LONG-TERM DEBT** Debt with a maturity of more than one year after the date of issuance.

**LOWER FLOATER** General term for a security with a variable interest rate and also having a tender feature.

**MAJOR FUND** A Governmental or Enterprise fund that meets both of the following criteria a.) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type (that is, total governmental or total enterprise funds), and b.) Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to the financial statement users. The general fund is always a major fund (GASB 34).

**MANDATE** A requirement from 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 BASIS** The accrual basis of accounting adapted to the governmental fund type spending measurement focus. Under it, revenues are recognized when they become both “measurable” and “available to finance expenditures of the current period.” Expenditures are recognized when the related fund liability is incurred except for (1) inventories of materials and supplies which may be considered expenditures either when purchased or when used; (2) prepaid insurance and similar items which need not be reported; (3) accumulated unpaid vacation, sick pay, and other employee benefit amounts which need not be recognized in the current period, but for which larger-than-normal accumulations must be disclosed in the notes to the financial statements; (4) interest on special assessment indebtedness which may be recorded when due rather than accrued, if approximately offset by interest earnings on special assessment levies; and (5) principal and interest on long-term debt which are generally recognized when due.

**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.

**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 EXPENSES** Expenses which are directly related to the fund's primary service activities.

**OPERATING REVENUES** Revenues which are directly related to the fund's primary service activities.

**OPERATING TRANSFERS** All interfund transfers other than residual equity transfers. **ORDINANCE** – A formal legislative enactment by the governing board of a municipality. If it is not in conflict with any higher form of law, such as a state statute or constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies. The difference between an ordinance and a resolution is that the latter requires less legal formality and has a lower legal status. Ordinarily, the statutes or charter will specify or imply those legislative actions which must be by ordinance and those which may be by resolution. Revenue raising measures, such as the imposition of taxes, special assessments and service charges, universally require ordinances.

**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 pledged 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 (PPBS)** 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.

**PLEGGED 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**.

**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.

**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.

**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."

**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 from 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.

**REVENUES** The term designates an increase to a fund's assets. An item of income.

**RISK MANAGEMENT** All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

**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.

**SALES TAX** A general "sales tax" is levied on all persons and businesses selling merchandise in the city limits on a retail basis. Monies collected under authorization of this tax is for the use and benefit of the City; however, no city may pledge anticipated revenues from this source to secure the payment of funds or other indebtedness. The current sales tax rate for the City is 8.25% (1.5% rebated to the City from the State, .5% to the County, and the balance is retained by the State). Of the share rebated to the City, .25% is allocated to CCPD and .25% to the Transportation fund for streets construction, maintenance, and repair.





**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 from 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 one 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 from 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.

**TAX RATE** The amount of tax stated in terms of a unit of the tax base; for example, \$.50 per \$100 (one hundred dollars) assessed valuation of taxable property.

**TAX RATE LIMIT** – The maximum rate at which a government may levy a tax. The limit may apply to taxes raised for a particular purpose, or to taxes imposed for all purposes, and may apply to a single government, to a class of governments, or to all governments operating in a particular area. Overall tax rate limits usually restrict levies for all purposes and of all governments, state and local, having jurisdiction in a given area. **TAXES** – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those paying such charges as, for example, sewer service charges.

**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 tax 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 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**.

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ)** The agency for the State of Texas that is tasked with protecting the state's public health and natural resources. Part of the agency's duties include providing inspections for the City's water & wastewater systems and our compressed natural gas (CNG) fueling station.

**TEXAS DEPARTMENT OF TRANSPORTATION (TXDOT)** The agency for the State of Texas that is tasked with overseeing the State's transportation system.

**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.

**WORKING CAPITAL** The amount of current assets that exceed current liabilities. Current assets can or will be converted to cash within 90 days and current liabilities will be paid within 90 days.

**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**.

