

City Council Work Session Handouts

November 17, 2014

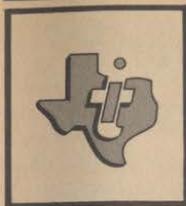
- I. Review and Discuss the University of Texas at Dallas Update
- II. Review and Discuss the Investment Policy and Financial Policies
- III. Review and Discuss the 2015 Richardson Legislative Agenda



UT Dallas Update
November 17, 2014

David E. Daniel
President

The University of Texas at Dallas



texins® news

Published by and for
The People of
Texas Instruments
Incorporated

Volume 3

Thursday, November 5, 1964

Number 24

Tiers Aid in Birth of 'MIT of Southwest'

Via a taped presentation, President Johnson joined Texas Governor Connally and many other dignitaries in dedicating the Founder's building on the campus of the Graduate Research Center of the Southwest on October 29.

As indicated on the building's bronze dedication plaque, "The Founder's building was made possible by the vision and generosity of Cecil and Ida Green, Erik and Margaret Jonsson and Eugene and Margaret McDermott, who provided the stimulus and the initial guarantees to insure the establishment of the Graduate Research Center of the Southwest and by the volunteer leaders and donors who gave liberally of their time, energy and substance to the Dallas Founding Fund, October 29, 1964."

The above three men are all members of the board of Texas Instruments and TI, along with other companies in the Dallas area, stands to benefit greatly from establishment of the center in this area.

The objective of the Graduate Research

Center is to establish a "community of scholars" around which the encouragement of graduate education and post-doctoral opportunity in the region will be encouraged. The Center works with universities in the area and also with local industries not primarily on problem-solving but as a fountain-head for knowledge and creative thought which industry can transform into goods, services and employment opportunities. While it will become a focal point of education like MIT, the Center will differ in not having undergraduate facilities and will not offer degrees.

The basic plan for the Center includes establishment of five laboratories. The first two of these, the Laboratory for Earth and Planetary Sciences and the Laboratory for Computer Sciences, have already been activated. To follow are laboratories for Molecular Sciences, Materials Sciences, and Electronics Sciences. Several Tiers are currently serving as "visiting scientists" to the Center.

There's A Bright Future For Light Sensing Devices

Devices that "see" through walls, systems which provide power for transmitting data to earth from satellites in space, and sensors that "read" beams of light are some of the items offered by the S.C. division's

tively small, compared to the millions of transistors which TI sells, but the unit price is quite high. For example, the solar cells which might be used in a program similar to the Ranger space probe project could be



DALLAS MAYOR ERIK JONSSON, TI board chairman and also board chairman of the Graduate Research Center of the Southwest, addresses dignitaries gathered for dedication ceremonies of the Founder's building on the campus of the GRCSW in Richardson, Texas. Gov. Connally and TI directors Lloyd Berkner and Eugene McDermott are to Erik's right.

MIT IS AN EXCEPTIONAL GOAL

“Entrepreneurial Impact: the Role of MIT,”
Kauffman Foundation (2009):

- MIT Alumni Founded 25,800 Companies ...
- That Employ 3.3 Million People ...
- With Annual World-Wide Revenues of \$2 trillion per Year.

For perspective:

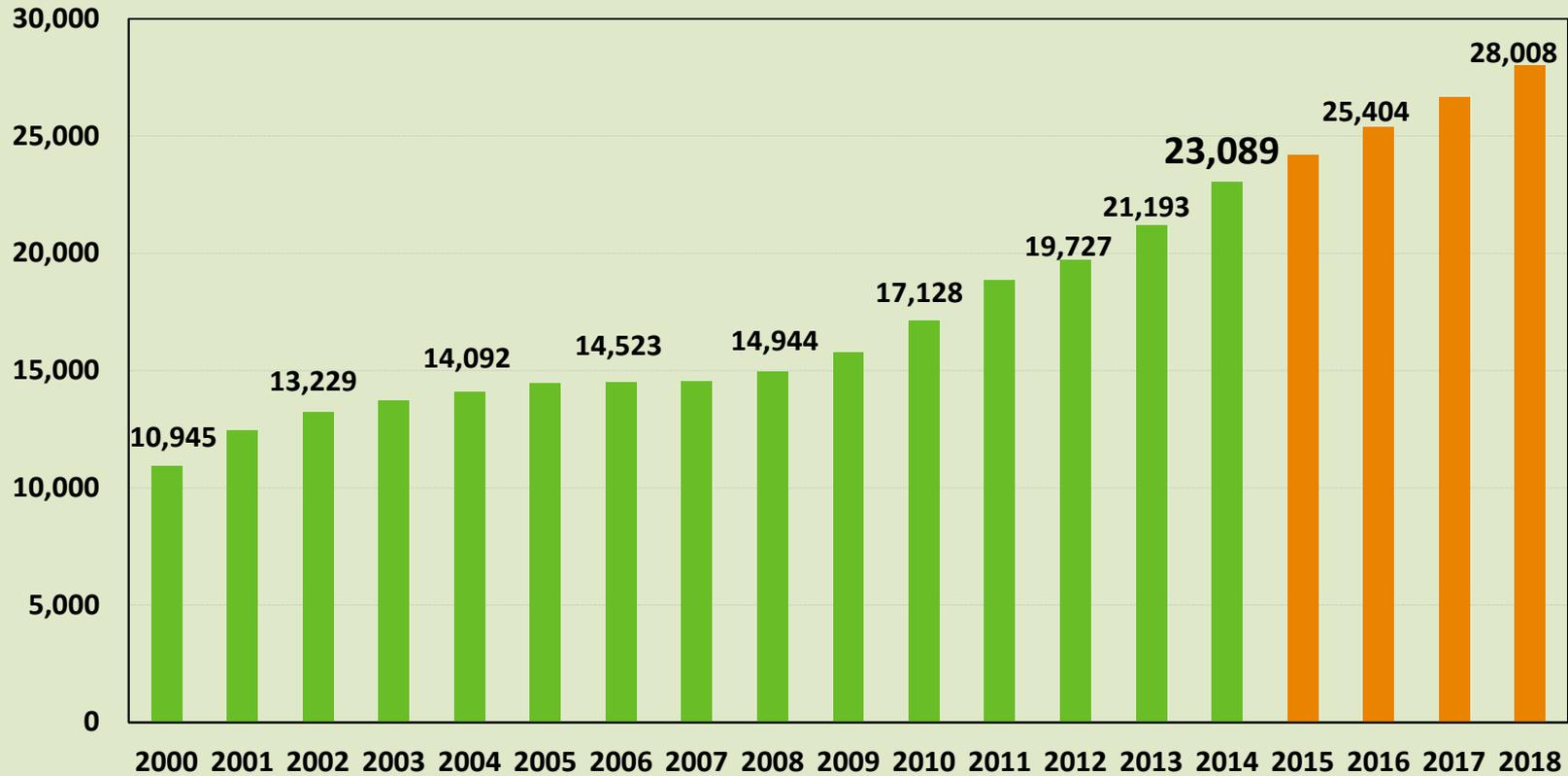
- Gross State Product of Texas: \$1.3 trillion

**Great Research Universities Can Have the
Economic Impact of an Entire State**

UT DALLAS HAS REMAINED COMMITTED TO OUR FOUNDER'S VISION

- 86% of Degrees in Math, Science, Engineering & Business
- Very High Quality Students:
 - SAT Score (1256) Among Best of Texas Public Universities
 - ACT Score (28) Comparable to Best Public Universities
 - 40% Graduate Students, 60% Undergraduate Students
- We Tackle Globally Significant Problems of Great Interest to Local Employers
- We Continue to Avoid Mission Creep
- Our Principal Challenge Is Achieving an Adequate Scale

ENROLLMENT TRENDS



From 2010-2014, UT Dallas has been far the fastest growing public university in Texas at + 9% per year FTE enrollment growth. UTD's rate of growth is more than twice the second fastest growing major university.

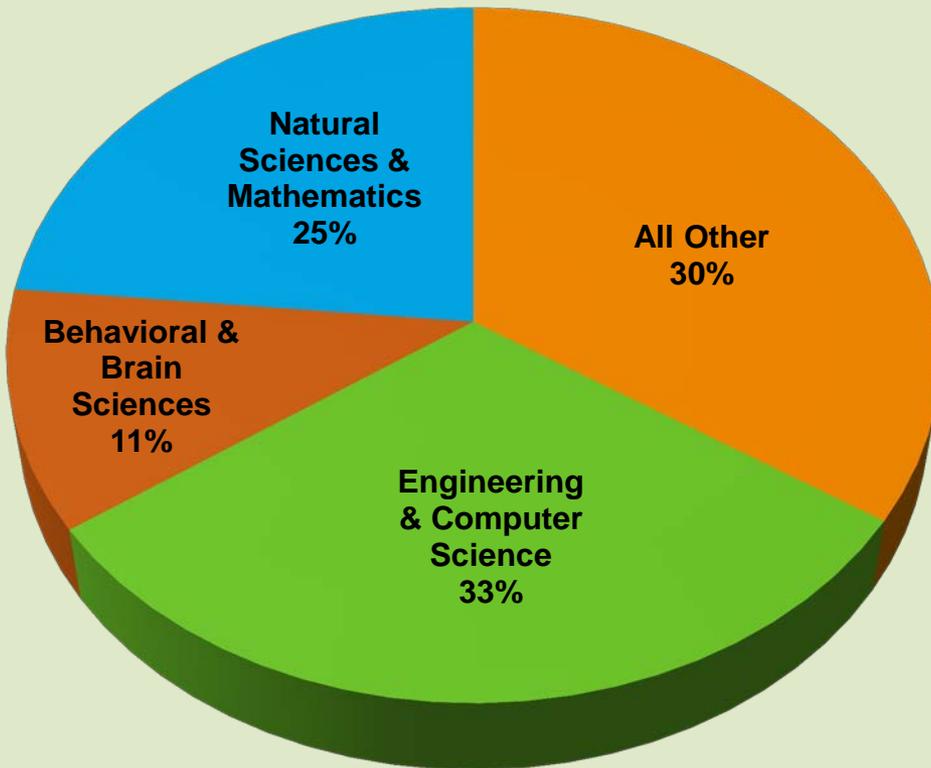
NATIONAL MERIT SCHOLARS IN THE FRESHMAN CLASS

2014: 100



	150
	89
	83
	67
	64
	32
	25
	8
	4
	4

MAJORS OF INCOMING FRESHMEN



Top Declared Majors of Incoming FTIC Freshmen*

Biology
Computer Science
Arts & Technology
Mechanical Engineering
Neuroscience
Biomedical Engineering
Biochemistry
Business Administration
Electrical Engineering
Psychology
Computer Engineering
Healthcare Studies
Accounting
Finance

*As of 9/11/2014

CAMPUS GROWTH

- Added more than 3 million sq. ft. of new or renovated interior space to campus since 2007
- Just opened:
 - Fifth residence hall for a total of 2,200 beds in five years
 - Second dining hall, with a Papa John's Pizza and convenience store
 - Second recreation center
 - Second parking structure, with an Einstein Bros. Bagels and Parking/Transportation offices
 - Naveen Jindal School of Management addition

EDITH O'DONNELL ARTS AND TECHNOLOGY BUILDING



RESIDENCE HALL WEST OR “BIG DADDY”



DINING HALL WEST



RECREATION CENTER WEST



PARKING STRUCTURE III



JINDAL SCHOOL OF MANAGEMENT ADDITION



SYNERGY PARK NORTH



SOCCER FIELDS



BIOENGINEERING AND SCIENCES BUILDING – IN PROGRESS



NORTH CAMPUS ENHANCEMENT PLAN – IN PROGRESS



CALLIER CENTER RICHARDSON – IN PROGRESS



STUDENT SERVICES BUILDING ADDITION – IN PROGRESS

EXTERIOR RENDERING



UNIVERSITY OF TEXAS AT DALLAS STUDENT SERVICES BUILDING ADDITION



DAVIDSON-GUNDY ALUMNI CENTER – IN PROGRESS



“NORTHSIDE AT UT DALLAS” – IN PROGRESS





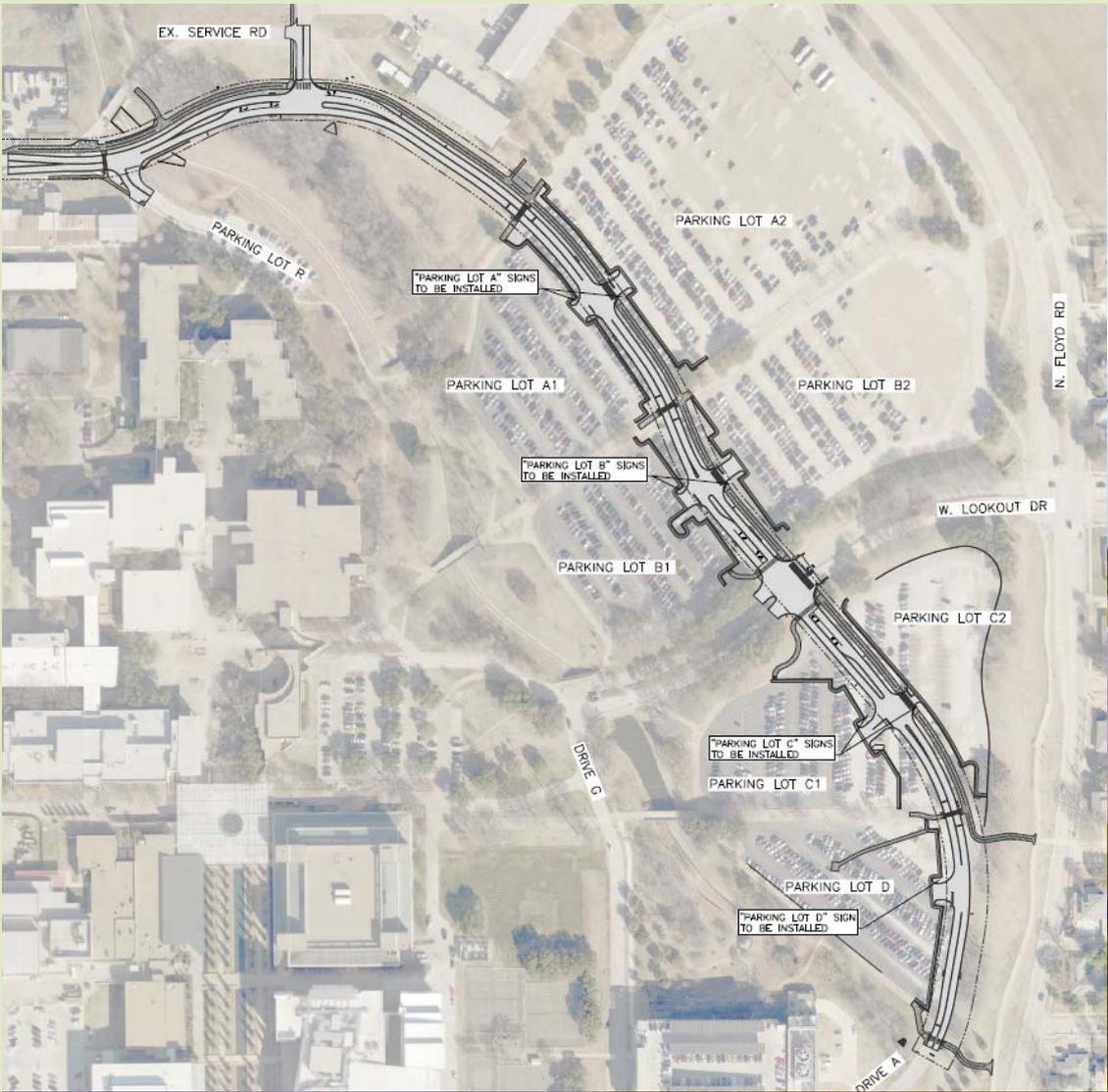
PARKING AND TRANSPORTATION – IN PROGRESS



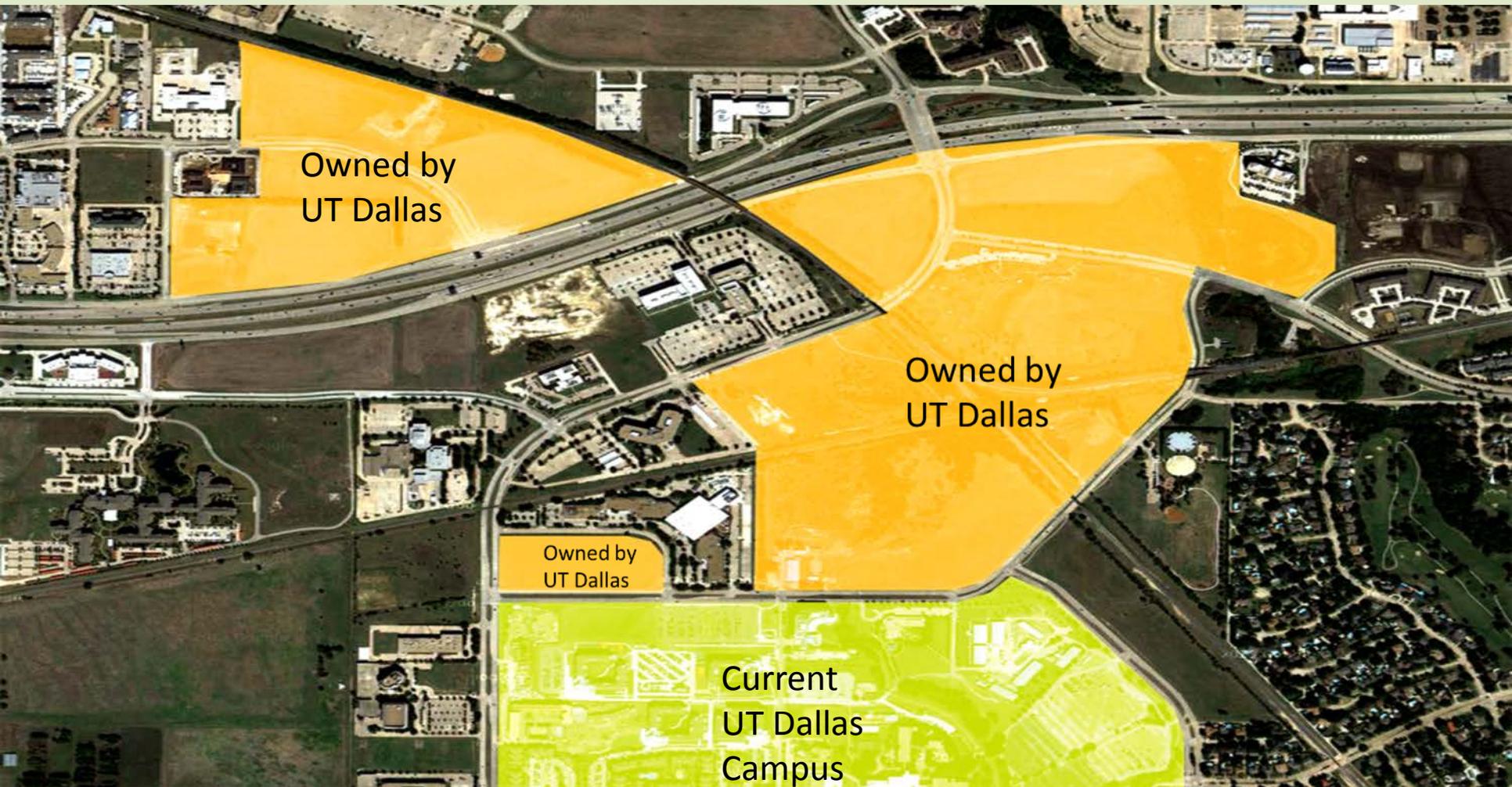
Infrastructure



LOOP ROAD PHASE II – IN PROGRESS



REAL ESTATE – NORTH OF CAMPUS



UT DALLAS ATHLETICS



UPCOMING CAMPUS EVENTS

- Comet Sports
 - Schedules: CometSports.UTDallas.edu
- Comet Calendar
 - Shows all upcoming events on campus
 - UTDallas.edu/Calendar
- The Wall That Heals – Nov. 20 – Nov. 23
 - Traveling 250-foot replica of the Vietnam Veterans Memorial in Washington, D.C.
 - On campus for a four-day exhibit, which will include events and educational opportunities



UT DALLAS STATE LEGISLATIVE PRIORITIES

- **New Academic Buildings (TRBs)**
 - **Engineering Building (\$110 million)**
 - **Science Building (\$95 million)**
- **TRIP Matching Gift Funds**
 - **Backlog (\$109 million)**
 - **Biennial Funding Restored**
- **“Engineering for Life” Initiative**

KEY PARTNERSHIPS

UT DALLAS – CITY OF RICHARDSON



Community Involvement:

- Sponsor events such as Community Appreciation Day and Corporate Challenge
- Collect and donate bikes, gifts, toiletries and supplies during holidays



KEY OPPORTUNITIES

UT DALLAS – CITY OF RICHARDSON

In Progress

- Water Tower
- Hike and Bike Trail
- Loop Road

Future Opportunities

- Traffic/Pedestrian Infrastructure
- Cotton Belt
- Event Center

THANK YOU

THE UNIVERSITY OF TEXAS AT DALLAS

Executive Summary
Investment Policy Renewal
November 17, 2014

Background:

The State's Public Funds Investment Act ("PFIA") and the City's investment policy require that the governing body annually review and ratify the investment policy and strategies of the City. This item is normally placed on your agenda in November or December.

- The Investment Officers and Committee monitor the City's investment policy and overall program by reviewing federal and state legislation, accounting standards, market conditions, quality/performance of brokers and financial institutions, and training requirements.
- When necessary, Staff makes recommendations to change the policy and presents the policy to the City Council for their review. The investment policy has served the City well during the current economy.

Current Banking & Investment Environment

- End of Quantitative Easing – Federal Reserve purchasing the majority of US Treasury securities to keep long-term interest rates low – Program likely to end by year-end
- Flight to Quality – with economic uncertainty lingering, corporations continue to purchase short-term US Agency securities that governments invest in, keeping interest rates near zero
- Banking Environment – continues to be difficult for banks to access high-quality securities conservative governments prefer for collateralizing CD's and bank deposits

Legislative Activity:

- The Texas Legislature did not meet in 2014. Staff will monitor the 2015 legislative session for potential future changes.

Investment Policy Award:

The City received the Government Treasurers Organization of Texas ("GTOT") Certificate of Distinction for the eighth time in April of 2013. This award recognizes the development and maintenance of a high-quality investment policy. The investment policy is reviewed and evaluated every two years for the Certificate. The adopted investment policy will be submitted to GTOT for award consideration.

Recommended Changes:

Staff is not recommending making changes to the Investment Policy at this time.

- The Investment Policy has served the City well during a variety of market conditions
- Minor changes implemented last year position the City for the future, whether additional periods of low interest rates or a return to a more normal environment

Required Guidelines:

The Investment Policy provides the required guidelines that staff follows in investing the City's money. The major guidelines include:

- Investment Objectives
 - Safety
 - Liquidity
 - Yield – Benchmark is the 91-day T-Bill
- Authorized Investments
 - US Treasury and Agency Instruments
 - Investment Pools & Money Market Funds that are rated AAA
 - Certificates of Deposits – Collateralized or FDIC insured
 - No Mortgage-Backed Securities are allowed as an investment
- Diversification
 - Maintain liquidity by staggering maturities
 - Only 25% of the portfolio can be invested in any individual Local Government Investment Pool or Money Market Fund. (**Change from 20% made last year**)
 - Limit of 50% in CDs (**Change from 25% made last year**)
- Authorized Brokers/Dealers
 - 6 Institutional Brokers – take bids for securities
 - 4 Local Government Investment Pools
 - Texpool, TexStar, Texas Term, Lone Star Govt. Overnight (**Two added last year**)
 - 2 Money Market Mutual Fund companies (Federated, Invesco)
- Safekeeping (Holding of our Securities)
 - Safekeeping Agreement with the Safekeeping Bank
 - Delivery vs. Payment (Investments delivered to safekeeping before money sent)
- Collateralization
 - Deposits & CD's – 102% - high-quality securities held by Federal Reserve Bank or Federal Home Loan Bank
 - Letters of Credit
 - Repurchase Agreements – 103%
 - No Mortgage-Backed Securities are allowed for collateral
- Quarterly Reports
 - Included on the City's web site as part of the Fiscal Transparency Initiative

Recommendation:

Staff recommends approval of the Investment Policy with no changes. The resolution will be placed on the consent agenda for the meeting on December 8, 2014.

Attachment:

- Rate history
- Resolution approving Investment Policy

Investment Information at October 31, 2014

	10/31/2014	9/30/2014	6/30/2014	3/31/2014	12/31/2013	9/30/2013
TexPool Rate	0.03%	0.03%	0.03%	0.03%	0.04%	0.04%
TexStar Rate	0.04%	0.03%	0.03%	0.04%	0.04%	0.04%
Texas TERM Daily	0.06%	0.06%	0.04%	0.04%	0.04%	0.05%
Lone Star Government Overnight	0.05%	0.05%	0.05%	0.04%	0.04%	0.06%
Federated Government	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Federated Treasury	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Invesco Government	0.01%	0.01%	0.01%	0.02%	0.03%	0.02%
Invesco Treasury	0.01%	0.01%	0.01%	0.00%	0.02%	0.02%
91 Day T-Bill	0.02%	0.02%	0.04%	0.05%	0.07%	0.02%
3 month Agency	0.06%	0.04%	0.06%	0.06%	0.09%	0.05%
6 month Agency	0.09%	0.10%	0.12%	0.07%	0.11%	0.07%
12 month Agency	0.13%	0.19%	0.13%	0.18%	0.17%	0.07%

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RICHARDSON, TEXAS, ADOPTING THE CITY OF RICHARDSON INVESTMENT POLICY ATTACHED HERETO AS EXHIBIT “A”; DECLARING THAT THE CITY COUNCIL HAS COMPLETED ITS REVIEW OF THE INVESTMENT POLICY AND INVESTMENT STRATEGIES OF THE CITY AND THAT EXHIBIT “A” RECORDS ANY CHANGES TO EITHER THE INVESTMENT POLICY OR INVESTMENT STRATEGIES; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, in accordance with the Public Funds Investment Act, Chapter 2256, TEX. GOV’T CODE, the City Council of the City of Richardson, Texas by resolution adopted an investment policy; and

WHEREAS, Section 2256.005, Tex. Gov’t Code, requires the City Council to review the investment policies and investment strategies not less than annually and to adopt a resolution or order stating the review has been completed and recording any changes made to either the investment policies or investment strategies.

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

SECTION 1. That the City of Richardson Investment Policy, attached hereto as Exhibit “A,” be and the same is hereby adopted and shall govern the investment policies and investment strategies for the City, and shall define the authority of the investment official of the City from and after the effective date of this Resolution.

SECTION 2. That the City Council of the City of Richardson has completed its review of the investment policies and investment strategies and any changes made to either the investment policies or investment strategies are recorded in Exhibit “A” hereto.

SECTION 3. That all provisions of the resolutions of the City of Richardson, Texas, in conflict with the provisions of this Resolution be, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this Resolution shall remain in full force and effect.

SECTION 4. That should any word, sentence, paragraph, subdivision, clause, phrase or section of this Resolution be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said Resolution which shall remain in full force and effect.

SECTION 5. That this Resolution shall become effective immediately from and after its passage.

DULY RESOLVED AND ADOPTED by the City Council of the City of Richardson, Texas, on this the _____ day of December, 2014.

CITY OF RICHARDSON, TEXAS

MAYOR

ATTEST:

CITY SECRETARY

APPROVED AS TO FORM:

PETER G. SMITH, CITY ATTORNEY
(PGS:10-15-14:TM 68703)

Exhibit “A”

City of Richardson Investment Policy

ARTICLE I PURPOSE AND NEED FOR POLICY

Chapter 2256 of the Government Code, as amended from time to time by the Texas State Legislature (“Public Funds Investment Act”) requires each city to adopt rules governing its investment practices and to define the authority of the investment official. The Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and prudent fiscal management of the City of Richardson funds.

ARTICLE II SCOPE

The Investment Policy applies to the investment and management of all funds under direct authority of the City of Richardson.

- A. These funds are accounted for in the City’s Annual Financial Report and include the following:
- (1) the General Fund;
 - (2) Special Revenue Funds;
 - (3) Capital Project Funds;
 - (4) Enterprise Funds;
 - (5) Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately;
 - (6) Debt Service Funds, including reserves and sinking funds to the extent not required by law or existing contract to be kept segregated and managed separately; and
 - (7) Any new fund created by the City unless specifically exempted from this policy by the City or by law.

This investment policy shall apply to all transactions involving the financial assets and related activity of all the foregoing funds.

- B. This policy excludes:
- 1) Employee Retirement and Pension Funds administered or sponsored by the City.
 - 2) Defeased bond funds held in trust escrow accounts.

C. Review and Amendment

The City Council is required by state statute and by this investment policy to review this investment policy and investment strategies not less than annually and to adopt a resolution or an ordinance stating the review has been completed and recording any changes made to either the policy or strategy statements.

**ARTICLE III
PRUDENCE**

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 official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the entity's control, 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 written investment policy of the City.

All participants in the investment program will seek to act responsibly as custodians of the public trust. Investment officials will avoid any transaction that might impair public confidence in the City's ability to govern effectively. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of the public trust. Nevertheless, the City recognizes that in a marketable, diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment rate of return.

Investment officials, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for market price changes, provided that these deviations from expectations are reported immediately to the Director of Finance, the City Manager and the City Council of the City of Richardson, and that appropriate action is taken by the investment officials and their oversight managers to control adverse developments.

**ARTICLE IV
OBJECTIVES**

A. Preservation and Safety of Principal

Preservation of capital is the foremost objective of the City. Each investment transaction shall seek first to ensure that capital losses are avoided, whether the loss occurs from the default of a security or from erosion of market value.

B. Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which can be reasonably anticipated. Liquidity will be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

C. Yield

The investment portfolio of the City shall be designed to meet or exceed the average rate of return on 91-day U.S. treasury bills throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio. Legal constraints on debt proceeds that are not exempt from federal arbitrage regulations are limited to the arbitrage yield of the debt obligation. Investment officials will seek to maximize the yield of these funds in the same manner as all other City funds. However, if the yield achieved by the City is higher than the arbitrage yield, positive arbitrage income will be averaged over a five year period, netted against any negative arbitrage income and the net amount shall be rebated to the federal government as required by federal regulations.

**ARTICLE V
RESPONSIBILITY AND CONTROL**

A. Delegation

Management responsibility to establish written procedures for the operation of the investment program consistent with this investment policy has been assigned to the Director of Finance by the City Manager. The Director of Finance has delegated this responsibility to the Assistant Director of Finance. Such procedures shall include explicit delegation of authority to persons responsible for the daily cash management operation, the execution of investment transactions, overall portfolio management and investment reporting. The Assistant Director of Finance may delegate the daily investment responsibilities to either an internal investment official or an external investment advisor in combination with an internal investment official. The Assistant Director of Finance and/or his representative(s) will be limited by conformance with all federal regulations, ordinances, and the statements of investment strategy.

B. Subordinates

All persons involved in investment activities shall be referred to as "Investment Officials." No person shall engage in an investment transaction except as provided under the terms of this policy, the procedures established by the Assistant Director of Finance and the explicit authorization by the City Manager to withdraw, transfer, deposit and invest the City's funds. The City Council, by resolution, has authorized the City Manager to appoint these individuals. The Director of Finance and the Assistant Director of Finance shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate Investment Officials.

C. Internal Controls

Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by investment officials. Controls deemed most important would include: control of collusion, separation of duties, third-party custodial safekeeping, avoidance of bearer-form securities, clear delegation of authority, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, and documentation of and rationale for investment transactions.

In conjunction with the annual independent audit, a compliance audit of management controls on investments and adherence to the Investment Policy and the Investment Strategy shall be performed by the City's independent auditor.

D. Ethics and Conflicts of Interest

An investment officer of the City who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship with the Texas Ethics Commission and the City Council. For purposes of this section, an investment officer has a personal business relationship with a business organization if:

- (1) the investment officer owns 10 percent 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 percent 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.

Investment officials of the City shall refrain from personal and business activities involving any of the City's custodians, depositories, broker/dealers or investment advisors which may influence the officer's ability to conduct his duties in an unbiased manner. Investment officials will not utilize investment advice concerning specific securities or classes of securities obtained in the transaction of the City's business for personal investment decisions, will in all respects subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchase and sales and will keep all investment advice obtained on behalf of the City and all transactions contemplated and completed by the City confidential, except when disclosure is required by law.

E. Investment Training Requirements

The Director of Finance, the Assistant Director of Finance, and the Investment officials shall attend at least one ten hour training session relating to their investment responsibilities within 12 months after assuming their duties. In addition to this ten hour requirement, each

investment officer shall receive not less than ten hours of instruction in their investment responsibilities at least once during each two year period that begins on October 1st and consists of the two consecutive fiscal years after that date. The investment training session shall be provided by an independent source approved by the investment committee. For purposes of this policy, an “independent source” from which investment training shall be obtained shall include a professional organization, an institute of higher learning or any other sponsor other than a Business Organization with whom the City of Richardson may engage in an investment transaction. Such training shall include education in investment controls, credit risk, market risk, investment strategies, and compliance with investment laws, including the Texas State Public Funds Investment Act. A list will be maintained of the number of hours and conferences attended for each investment official and a report of such information will be provided to the Investment Committee.

ARTICLE VI AUTHORIZED INVESTMENTS

- A. Obligations, including letters of credit, of the United States or its agencies and instrumentalities.
- B. Direct obligations of the State of Texas or its agencies and instrumentalities.
- C. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, the State of Texas, or the United States or its instrumentalities.
- D. Obligations of states, agencies, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent.
- E. Joint Investment Pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
- F. Certificates of Deposit issued by a depository institution that has its main office or branch office in Texas:
 - (1) and such Certificates of Deposit are:
 - a. Guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their successors; or
 - b. Secured by obligations described in Article VI, sections A through D above.
 - (2) or such depository institution contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Government Code (Public Funds Investment Act) as amended.

Certificates of Deposit brokered by an authorized broker/dealer that has its main office or a branch office in Texas who contractually agrees to place the funds in federally insured

depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Government Code (Public Funds Investment Act) as amended.

- G. Fully collateralized repurchase or reverse repurchase agreements, including flexible repurchase agreements (flex repo), with a defined termination date secured by a combination of cash and obligations of the United States or its agencies and instrumentalities pledged to the City held in the City's name by a third party selected by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. The securities received for repurchase agreements must have a market value greater than or equal to 103 percent at the time funds are disbursed. All transactions shall be governed by a Master Repurchase Agreement between the City and the primary government securities dealer or financial institution initiating Repurchase Agreement transactions.

The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

- H. No-load money market mutual funds if the mutual fund:
- (1) Is registered with and regulated by the Securities and Exchange Commission;
 - (2) Has a dollar-weighted average stated maturity of 90 days or fewer; and
 - (3) Includes in its investment objectives the maintenance of a stable net asset value of one dollar for each share.
- I. Investment instruments not authorized for purchase by the City of Richardson include the following:
- (1) Banker's Acceptances;
 - (2) "Bond" Mutual Funds;
 - (3) Collateralized Mortgage Obligations of any type; and
 - (4) Commercial Paper, except that the City can invest in local government investment pools and money market mutual funds that have commercial paper as authorized investments. A local government investment pool or money market mutual fund that invests in commercial paper must meet the requirements of Article VI, Sections E and H above.
- J. If an investment in the City's portfolio becomes an unauthorized investment due to changes in the Investment Policy or the Public Funds Investment Act, or an authorized investment is rated in a way that causes it to become an unauthorized investment, the investment officials of the City shall review the investment and determine whether it would be more prudent to hold the investment until its maturity, or to redeem the investment. Officials shall consider the time remaining until maturity of the investment, the quality of the investment, and the quality and amounts of any collateral which may be securing the investment in determining the appropriate steps to take.

**ARTICLE VII
PORTFOLIO AND INVESTMENT ASSET PARAMETERS**

A. Bidding Process for Investments

It is the policy of the City to require competitive bidding for all investment transactions (securities and bank C.D.'s) except for:

- (1) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates); and
- (2) treasury and agency securities purchased at issue through an approved broker/dealer.

At least three bids or offers must be solicited for all other investment transactions. In a situation 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 of the security. Security swaps are allowed as long as maturity extensions, credit quality changes and profits or losses taken are within the other guidelines set forth in this policy.

B. Maximum Maturities

The City of Richardson will manage its investments to meet anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase.

C. Maximum Dollar-Weighted Average Maturity

Under most market conditions, the composite portfolio will be managed to achieve a one-year or less dollar-weighted average maturity. However, under certain market conditions investment officials may need to shorten or lengthen the average life or duration of the portfolio to protect the City. The maximum dollar-weighted average maturity based on the stated final maturity, authorized by this investment policy for the composite portfolio of the City shall be three years.

D. Diversification

The allocation of assets in the portfolios should be flexible depending upon the outlook for the economy and the securities markets. In establishing specific diversification strategies, the following general policies and constraints shall apply.

- (1) Portfolio maturities and call dates shall be staggered in a way that avoids undue concentration of assets in a specific sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.
- (2) To attain sufficient liquidity, the City shall schedule the maturity of its investments to coincide with known disbursements. Risk of market price volatility shall be controlled through maturity diversification such that aggregate realized price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.
- (3) The following maximum limits, by instrument, are established for the City's total portfolio:
 - U.S Treasury Notes/Bills 100%
 - U.S. Government Agencies & Instrumentalities..... 100%
 - U.S. Treasury & U.S. Agency Callables..... 25%

- Certificates of Deposit 50%
 - Repurchase Agreements (*See D. (4) below*)..... 50%
 - Money Market Mutual Funds (*See D.(5) below*)..... 100%
 - Local Government Investment Pools (*See D.(5) below*)..... 100%
 - State of Texas Obligations & Agencies 25%
 - Obligations of states, agencies, cities and other political subdivisions of any state 25%
- (4) The City shall not invest more than 50% of the investment portfolio in repurchase agreements, excluding bond proceeds and reserves.
- (5) The City shall not invest more than 25% of the investment portfolio in any individual money market mutual fund or government investment pool.
- (6) The investment committee shall review diversification strategies and establish or confirm guidelines on at least an annual basis regarding the percentages of the total portfolio that may be invested in securities other than U.S. Government Obligations. The investment committee shall review quarterly investment reports and evaluate the probability of market and default risk in various investment sectors as part of its consideration.

**ARTICLE VIII
AUTHORIZED BROKER/DEALERS
AND FINANCIAL INSTITUTIONS**

- A. Investment officials will maintain a list of financial institutions and broker/dealers selected by credit worthiness, who are authorized to provide investment services to the City. These firms may include:
- (1) all primary government securities dealers; and
 - (2) those regional broker/dealers who qualify under Securities and Exchange Commission Rule 15C3-1(uniform net capital rule), and who meet other financial credit criteria standards in the industry.

The investment officials may select up to six firms from the approved list to conduct a portion of the daily City investment business. These firms will be selected based on their competitiveness, participation in agency selling groups and the experience and background of the salesperson handling the account. The approved broker/dealer list will be reviewed and approved along with this investment policy at least annually by the investment committee.

- B. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the investment officials with the following:
- (1) Audited financial statements;
 - (2) Proof of National Association of Securities Dealers (N.A.S.D.) certification, unless it is a bank;
 - (3) Resumes of all sales representatives who will represent the financial institution or broker/dealer firm in dealings with the City; and
 - (4) An executed written instrument, by the qualified representative, in a form acceptable to the City and the business organization substantially to the effect that the business organization has received and reviewed the investment policy of the City and

acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

ARTICLE IX SAFEKEEPING AND CUSTODY OF INVESTMENT ASSETS

All security transactions, including collateral for repurchase agreements entered into by the City shall be conducted using the delivery vs. payment (DVP) basis. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the safekeeping bank. The only exceptions to DVP settlement shall be wire transactions for money market funds and government investment pools. The safekeeping or custody bank is responsible for matching up instructions from the City's investment officials on an investment settlement with what is wired from the broker/dealer, prior to releasing the City's designated funds for a given purchase. The security shall be held in the name of the City or held on behalf of the City in a bank nominee name. Securities will be held by a third party custodian designated by the investment officials and evidenced by safekeeping receipts or statements. The safekeeping bank's records shall assure the notation of the City's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the City. A safekeeping agreement must be in place which clearly defines the responsibilities of the safekeeping bank.

ARTICLE X COLLATERAL

The City's depository bank shall comply with Chapter 2257 of the Government Code, Collateral for Public Funds, as required in the City's bank depository contract.

A Market Value

The Market Value of pledged Collateral must be equal to or greater than 102% of the principal and accrued interest for cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) insurance coverage. The Federal Reserve Bank and the Federal Home Loan Bank are designated as custodial agents for collateral. An authorized City representative will approve and release all pledged collateral. The securities comprising the collateral will be marked to market on a monthly basis using quotes by a recognized market pricing service quoted on the valuation date, and the City will be sent reports monthly.

B Collateral Substitution

Collateralized investments often require substitution of collateral. The Safekeeping bank must contact the City for approval and settlement. The substitution will be approved if its value is equal to or greater than the required collateral value.

C Collateral Reduction

Should the collateral's market value exceed the required amount, the Safekeeping bank may request approval from the City to reduce Collateral. Collateral reductions may be permitted only if the collateral's market value exceeds the required amount.

D Letters of Credit

Letters of Credit, as defined in Article VI (A), are acceptable collateral for Certificates of Deposit. Upon the discretion of the City, a Letter of Credit can be acceptable collateral for City funds held by the City's bank depository.

**ARTICLE XI
INVESTMENT REPORTS**

A. Reporting Requirements

The investment officials shall prepare a quarterly investment report in compliance with section 2256.023 of the Public Funds Investment Act of the State of Texas. The report shall be submitted to the City Council and the Investment Committee within 45 days following the end of the quarter.

B. Investment Records

An investment official designated by the Assistant Director of Finance shall be responsible for the recording of investment transactions and the maintenance of the investment records with reconciliation of the accounting records and of investments carried out by an accountant. Information to maintain the investment program and the reporting requirements, including pricing or marking to market the portfolio, may be derived from various sources such as: broker/dealer research reports, newspapers, financial on-line market quotes, direct communication with broker/dealers, market pricing services, investment software for maintenance of portfolio records, spreadsheet software, or external financial consulting services relating to investments.

C. Auditor Review

The City's independent external auditor must formally review the quarterly investment reports annually to insure compliance with the State of Texas Public Funds Investment Act and any other applicable State Statutes.

**ARTICLE XII
INVESTMENT COMMITTEE**

A. Members

An Investment Committee, consisting of the City Manager or his designee, the Director of Finance, the Assistant Director of Finance, the Controller, and an appointed investment official, shall review the City's investment strategies and monitor the results of the investment program at least quarterly. This review can be done by reviewing the quarterly written reports and by holding committee meetings as necessary. The committee will be authorized to invite other advisors to attend meetings as needed.

B. Scope

The Investment Committee shall include in its deliberations such topics as economic outlook, investment strategies, portfolio diversification, maturity structure, potential risk to the City's funds, evaluation and authorization of broker/dealers, rate of return on the investment portfolio, review and approval of training providers and compliance with the investment policy. The Investment Committee will also advise the City Council of any future amendments to the investment policy that are deemed necessary or recommended.

C. Procedures

The investment policy shall require the Investment Committee to provide minutes of investment information discussed at any meetings held. The committee should meet at least annually to discuss the investment program and policies.

**ARTICLE XIII
INVESTMENT STRATEGY STATEMENTS**

The City of Richardson portfolio will be structured to benefit from anticipated market conditions and to achieve a reasonable return. Relative value among asset groups shall be analyzed and pursued as part of the investment program within the restrictions set forth by the investment policy.

The City of Richardson maintains portfolios which utilize four specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios.

A. Operating Funds

Suitability - All investments authorized in the Investment Policy are suitable for Operating Funds.

Preservation and Safety of Principal - All investments shall be high quality securities with no perceived default risk.

Liquidity - Investment strategies for the pooled operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The dollar-weighted average maturity of operating funds, based on the stated final maturity date of each security, will be calculated and limited to one year or less. Constant \$1 NAV investment pools and money market mutual funds shall be an integral component in maintaining daily liquidity. Investments for these funds shall not exceed an 18-month period from date of purchase.

Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

Yield - The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Operating Funds shall be the 91 day Treasury bill.

B. Reserve and Deposit Funds

Suitability - All investments authorized in the Investment Policy are suitable for Reserve and Deposit Funds.

Preservation and Safety of Principal - All investments shall be high quality securities with no perceived default risk.

Liquidity - Investment strategies for reserve and deposit funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate reserve fund from investments with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, investments should be of high quality, with short-to-intermediate-term maturities. The dollar-weighted average maturity of reserve and deposit funds, based on the stated final maturity date of each security, will be calculated and limited to three years or less.

Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

Yield - The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Reserve and Deposit Funds shall be the 91 day Treasury bill.

C. Bond and Certificate Capital Project Funds and Special Purpose Funds

Suitability - All investments authorized in the Investment Policy are suitable for Bond and Certificate Capital Project Funds and Special Purpose Funds.

Preservation and Safety of Principal - All investments shall be high quality securities with no perceived default risk.

Liquidity - Investment strategies for bond and certificate capital project funds, special projects and special purpose funds portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The stated final

maturity dates of investments held should not exceed the estimated project completion date or a maturity of no greater than five years. The dollar-weighted average maturity of bond and certificate capital project funds and special purpose funds, based on the stated final maturity date of each security, will be calculated and limited to three years or less.

Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

Yield - The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Bond and Certificate Capital Project Funds and Special Purpose Funds shall be the 91 day Treasury bill. A secondary objective of these funds is to achieve a yield equal to or greater than the arbitrage yield of the applicable bond or certificate.

D. Debt Service Funds

Suitability - All investments authorized in the Investment Policy are suitable for Debt Service Funds.

Preservation and Safety of Principal - All investments shall be high quality securities with no perceived default risk.

Liquidity - Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date. The dollar-weighted average maturity of debt service funds, based on the stated final maturity date of each security, will be calculated and limited to one year or less.

Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

Yield - The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Debt Service Funds shall be the 91 day Treasury bill.

RESOLUTION NO. ____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RICHARDSON, TEXAS, ADOPTING AMENDED FINANCIAL POLICIES; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City Council previously adopted Financial Policies which set out criteria for desired fund balances for various funds (“Financial Policies”); and

WHEREAS, the establishment of “Financial Policies” is considered prudent financial management and the City of Richardson desires to maintain a stable, financial position as well as position itself for the future; and

WHEREAS, financial policies can communicate and document the City’s stewardship of public funds, give assurance to investors and other interested parties, and acknowledge the City’s operating practices and contingent responses to emergencies; and

WHEREAS, the rating agencies and the City’s auditors have recommended that the City adopt the “Financial Policies” to protect the financial position of the City; and

WHEREAS, the “Financial Policies” maintain the criteria for desired fund balances and maintain a Rate Stabilization Fund in the Water and Sewer Fund; and

WHEREAS, the City Council desires to amend the “Financial Policies” as heretofore amended, by the adoption of the amended Financial Policies, attached hereto as Exhibit “A”.

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

SECTION 1. That the “Financial Policies” is hereby amended by the adoption of the amended Financial Policies, as set forth in Exhibit “A” attached hereto and made a part hereof for all purposes.

SECTION 2. That all provisions of the resolutions of the City of Richardson, Texas, in conflict with the provisions of this resolution be, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this resolution shall remain in full force and effect.

SECTION 3. That should any word, sentence, paragraph, subdivision, clause, phrase or section of this resolution be adjudged or held to be void or unconstitutional, the same shall not affect the validity of the remaining portions of said resolution which shall remain in full force and effect.

SECTION 4. That this resolution shall become effective immediately from and after its passage.

DULY RESOLVED AND ADOPTED by the City Council of the City of Richardson, Texas, on this the _____ day of _____, 2014.

CITY OF RICHARDSON, TEXAS

MAYOR

ATTEST:

CITY SECRETARY

APPROVED AS TO FORM:

CITY ATTORNEY

City of Richardson

Financial Policies

I. Introduction

The City of Richardson financial policies set forth the basic framework for the fiscal management of the City. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of Richardson City Charter. The policies are intended to assist the City Council and City staff in evaluating current activities and proposals for future programs. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

II. Annual Budget (Charter Requirements)

- A. The fiscal year of the City of Richardson shall begin on October 1 of each calendar year and will end on September 30 of the following calendar year. The fiscal year will also be established as the accounting and budget year.
- B. The City Manager, prior to August 15th of each year, shall prepare and submit to the City Secretary, the annual budget covering the next fiscal year which shall contain the following information:
 - 1. Outline the proposed financial policies for the next fiscal year with explanations of any changes from previous years in expenditures and any 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, service type and object of expenditures for the budget year, as compared to actual expenses of the last ended fiscal year, and estimated expenses for the current year compared to adopted budget.
 - 4. A description of all outstanding bonded indebtedness of the City.
 - 5. A statement proposing any capital expenditures deemed necessary for undertaking during the next budget year and recommended provision for financing.
 - 6. A projection of revenues and expenditures together with a list of capital projects which should be considered within the next five succeeding years.
- C. A public hearing shall be conducted by the Council, allowing interested citizens to express their opinions concerning items of expenditures or revenues. The notice of hearing shall be published in the official newspaper of the City of Richardson not less than 10 days or more than 30 days before the hearing.
- D. Following the public hearing, the Council shall analyze the budget, making any additions or deletions which they feel appropriate, and shall, by ordinance, adopt the budget by a majority vote.

- E. On final adoption, the budget shall be in effect for the budget year. Final adoption of the budget by the Council shall constitute the official appropriations for the current year and shall constitute the basis of the official levy of the property tax. Under conditions which may arise the Council may amend or change the budget to provide for any additional expense.

III. Basis of Accounting and Budgeting

- A. The City of Richardson finances shall be accounted for in accordance with generally accepted accounting principles as established by industry practice and applicable governing Accounting Standards Boards.
 - 1. The financial transactions of the City of Richardson are accounted for and recorded in individual funds. These funds account for revenues and expenditures according to their intended purpose and are used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Governmental funds are used to account for the government's general government activities and include the General, Special Revenue, Debt Service and Capital Project funds.
 - 2. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Substantially all material revenues are considered to be susceptible to accrual. A thirty-day availability period is used for revenue recognition for all governmental fund type revenues, except fines and forfeitures which are accrued using a forty-five day availability period. Expenditures are recognized when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which are recorded when due. Compensated absences, claims, and judgments are recorded when the obligations are expected to be paid with current available financial resources.
 - 3. The City of Richardson utilizes encumbrance accounting for its fund types, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
 - 4. The Proprietary fund types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
- B. The budgets shall be prepared and adopted on a cash basis for all governmental funds and modified accrual basis for proprietary funds. The capital projects funds adopt project-length budgets at the time of their presentation. Annual appropriations lapse at fiscal year end for operating and debt service funds. Under the City's budgetary process, outstanding encumbrances are classified as restricted, committed, or assigned fund balance, depending on the government's resources.

IV. Budget Administration

- A. All expenditures of the City of Richardson shall be made in accordance with the annual budget. Budgetary control is maintained at the individual expenditure account level by the review of all requisitions of estimated purchase amounts prior to the release of purchase orders to vendors.
- B. The following represents the City of Richardson budget amendment policy delineating responsibility and authority for the amendment process. Transfers between expenditure accounts in one department may occur with the approval of the Budget Officer. Transfers between operating departments may occur with the approval of the City Manager's Office. Transfers between funds must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council. As a matter of course, continuous budget monitoring requires that deviations from expected amounts of revenue and/or expenditures be noted and estimates revised, if necessary, to avoid financial distress. Budget amendments are thus considered prudent financial management techniques and are deemed to fulfill the requirements of City Charter, Article 11, Section 11.09 for budget amendment justification.

V. Financial Reporting

- A. Following the conclusion of the fiscal year, the City of Richardson Director of Finance shall cause to be prepared a Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting and financial reporting principles established by industry practice and statements issued by the Governmental Accounting Standards Board. The document shall also satisfy all criteria of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.
- B. The CAFR shall show the status of the city's finances on the basis of generally accepted accounting principles (GAAP). The CAFR shall show fund revenues and expenditures on both a GAAP basis and budget basis for comparison purposes. In most cases this reporting conforms to the way the city prepares its budget. Differences in format are acknowledged through reconciliations. Liabilities for post-employment benefits and compensated absences (accrued but unused sick and vacation leave) are not reflected in the budget but are accounted for in the CAFR's government-wide financial statements. The government-wide financial statements modify the presentation of the governmental funds by presenting their results in the same manner as proprietary funds.
- C. Included as part of the Comprehensive Annual Financial Report shall be the results of the annual audit prepared by independent certified public accountants designated by the City Council.
- D. Each fiscal year, the Director of Finance will analyze accounts receivable balances and, if necessary, write off uncollectible accounts in accordance with applicable statutes after review by the City Manager or his designee.
- E. The City Manager's Office shall, within sixty days following the conclusion of each calendar quarter, issue a report to the Council reflecting the City's financial condition for that quarter. The quarterly report format shall be consistent with the format of the annual budget document. The preliminary budget may serve as the report for the third quarter of the year, as it reflects the City's current financial status and expected year end posture.

VI. Revenues

- A. To protect the City of Richardson's financial integrity, the City will maintain a diversified and stable revenue system to shelter it from fluctuations in any particular revenue source.
- B. For every annual budget, the City of Richardson shall levy two property tax rates: operation/maintenance and debt service. The debt service levy shall be sufficient for meeting all principal and interest payments associated with the City's outstanding debt for that budget year. The debt service levy and related debt service expenditures shall be accounted for in the Debt Service fund. The operation and maintenance levy shall be accounted for in the General Fund. A portion may be assigned for special purposes (i.e. Street Maintenance Fund).
- C. The City of Richardson will maintain a policy of levying the lowest tax rate on the broadest tax base. Mandated exemptions will be provided to home owners, senior citizens, and disabled citizens. On an annual basis during the budget process, City Council will review the exemption for senior citizens and disabled persons with a goal to maintain a tax benefit of approximately 30% of the average home value.
- D. The City of Richardson will establish user charges and fees at a level that attempts to recover the full cost of providing the service.
 - 1. User fees, particularly utility rates, should identify the relative costs of serving different classes of customers.
 - 2. The City of Richardson will make every reasonable attempt to ensure accurate measurement of variables impacting taxes and fees (e.g. verification of business sales tax payments, verification of appraisal district property values, accuracy of water meters, etc.)
- E. The City of Richardson will attempt to maximize the application of its financial resources by obtaining supplementary funding through agreements with other public and private agencies for the provision of public services or the construction of capital improvements. The City of Richardson will consider market rates and charges levied by other public and private organizations for similar services in establishing tax rates, fees and charges.
- F. When developing the annual budget, the City Manager shall project revenues from every source based on actual collections from the preceding year and estimated collections of the current fiscal year, while considering known circumstances which will impact revenues for the new fiscal year. The revenue projections for each fund should be made conservatively so that total actual fund revenues exceed budgeted projections.

VII. Operating Expenditures

- A. Operating expenditures shall be accounted, reported, and budgeted for in the following major categories:
 - 1. Personal Services
 - 2. Professional Services
 - 3. Maintenance
 - 4. Contracts
 - 5. Supplies
 - 6. Capital

- B. The annual budget shall appropriate sufficient funds for operating, recurring expenditures necessary to maintain established quality and scope of city services.
- C. The City of Richardson will constantly examine the methods for providing public services in order to reduce operating, recurring expenditures and/or enhance quality and scope of public services with no increase to cost.
- D. Personal service expenditures will reflect the minimum staffing needed to provide established quality and scope of city services. To attract and retain employees necessary for providing high-quality service, the City shall maintain a compensation and benefit package competitive with the public and, when quantifiable, private service industries.
- E. Professional services include fees for attorneys, auditors, consultants and other services that require specialized expertise.
- F. Maintenance expenditures shall be sufficient for addressing the deterioration of the City's capital assets to ensure the optimal productivity of the capital assets. Maintenance should be conducted to ensure a relatively stable level of maintenance expenditures for every budget year.
- G. The City of Richardson will utilize contracted labor for the provision of city services whenever private contractors can perform the established level of service at less expense to the City. The City will regularly evaluate its agreements with private contractors to ensure the established levels of service are performed at the lowest possible cost.
- H. Supply expenditures shall be sufficient for ensuring the optimal productivity of City employees.
- I. Existing capital equipment shall be replaced when needed to ensure the optimal productivity of City of Richardson employees.
- J. Expenditures for capital equipment shall be made only to enhance employee productivity, improve quality of service, or expand scope of service.
- K. To assist in controlling the growth of operating expenditures, operating departments will submit their annual budgets to the City Manager within fiscal parameters provided by the City Manager's Office.

VIII. Fund Balance

- A. The annual budget shall be presented to Council, with each fund reflecting minimum ending fund balances as follows:

General Fund	60 days of expenditures
General Debt Service Fund	30 days of expenditures
Water and Sewer Fund	90 days of expenditures
Utility Debt Service	Compliance with bond covenants
Golf Fund	30 days of expenditures, building towards 60 days
Solid Waste Fund	60 days of expenditures, building towards 90 days
- B. Fund balances, which exceed the minimum level established for each fund may be appropriated for non-recurring capital projects or programs.
- C. The City of Richardson will exercise diligence in avoiding the appropriation of fund balance for recurring operating expenditures. In the event fund balance is appropriated for recurring operating expenditures to meet the needs of the community, the budget document shall include an explanation of the circumstances requiring the appropriation and the methods to be used to arrest the future use of fund balance for operating expenditures.

D. For financial statement purposes, all governmental fund balances will be classified as follows:

Nonspendable – amounts that cannot be spent; legally or contractually required to be maintained.

Restricted – amounts that have external enforceable legal restrictions.

Committed – amounts that can only be used for specific purposes as directed through formal action of the City Council. Amounts can only be changed or revoked through similar formal action of the Council.

Assigned – amounts intended to be used for specific purposes as designated by management.

Unassigned – remaining amounts that have not met the criteria for restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

E. The Rate Stabilization Fund (RSF) was established in Fiscal Year 1996-97 for the Water and Sewer Utility Fund. The fund provides a source of funds which can be used to address serious and unexpected conditions that may arise, such as adverse weather conditions which seriously alter expected revenue amounts. In addition, the fund alleviates the need for sudden and unexpected rate increases, allowing the City to implement needed rate increases in a phased and orderly manner. The RSF is a sub-fund of the Water and Sewer Utility Fund and shall be maintained at a targeted level of \$1,700,000. If monies from the RSF are transferred to operating working capital fund balances, RSF funds will be restored to the targeted level as soon as practical. Decisions involving the use of the RSF shall be at the discretion of the City Manager and reported in normal budgeting and financial reporting formats throughout the fiscal year.

IX. Fund Transfers

- A. Fund transfers may occur when surplus fund balances are used to support non-recurring capital expenses or when needed to satisfy debt service obligations.
- B. Fund transfers are used to pay for general and administrative costs in the General Fund and to charge franchise fees to Proprietary Funds.

X. Debt Expenditures

- A. The City of Richardson will issue debt only to fund capital projects, which cannot be supported by current, annual revenues.
- B. To minimize interest payments on issued debt, the City will maintain a rapid debt retirement policy by issuing debt with maximum maturities not exceeding 20 years. Retirement of debt principal will be structured to ensure constant annual debt payments.
- C. The City of Richardson will attempt to maintain base bond ratings (prior to insurance) of Aa2 (Moody's Investors Service) and AA+ (Standard & Poor's) on its general obligation debt. The City shall continue to seek to enhance its credit quality by frequent contact and visits with the rating agencies, and monitoring the current trends and guidance from the agencies.
- D. When needed to minimize annual debt payments, the City of Richardson will obtain insurance for new debt issues.

- E. In order to minimize the impact of debt issuance on the property tax rate and to assist the City in meeting its arbitrage requirements, the City will consider the sequential sale of bonds for the purpose of financing capital projects.

XI. Capital Project Expenditures

- A. The City of Richardson will develop a multi-year plan for capital projects which identifies all projects likely to be constructed within a five year horizon. The multi-year plan will reflect for each project the likely source of funding and attempt to quantify the project's impact to future operating expenditures.
- B. Capital projects will be constructed to:
 - 1) Protect or improve the community's quality of life.
 - 2) Protect or enhance the community's economic vitality.
 - 3) Support new development.
 - 4) Provide significant rehabilitation of City infrastructure for sustained service.
- C. Capital project expenditures will not be authorized by the City Council without identification and commitment of revenue sources sufficient to fund the improvement. Potential funding sources include, but are not limited to, reserve funds, debt issuances, matching fund revenues, user fees, grants, or reallocation of existing capital funds with the recognition that construction of previously authorized capital projects may be delayed or postponed.
- D. Capital Improvement Planning and Programming shall include the following categories for the determination of funding for individual projects: design costs, right-of-way costs, utility construction/adjustment costs, construction costs, appropriate contingency funds, furnishings and equipment, and direct project administration services provided by City employees or outside forces.
- E. Cost incurred for advanced planning of capital projects may be funded from reimbursement of appropriate debt or operating funds.
- F. The City will intend to maintain adequate funding levels in the developer participation fund to ensure that no City obligation for participation goes unfunded for a period of more than one (1) year.
- G. To minimize the issuance of debt, the City of Richardson will attempt to support capital projects with appropriations from operating revenues or excess fund balances (i.e. "pay-as-you-go").

XII. Utility Capital Expenditures

- A. The City of Richardson uses three funding sources for Utility Capital expenditures. Utility rates are designed to provide for a depreciation reserve which accumulates resources to replace or rehabilitate aging infrastructure. In addition, the multi-year financial plan provides debt strategies to finance needed capital items. Thirdly, annual transfers are made to capital rehabilitation and renewal projects from utility operations to maintain adequate funding for capital items.
- B. Inasmuch as roads and other infrastructure components are essential to extending utility service, revenues in excess of anticipated current year needs will be reserved for future road improvements and related infrastructure projects at year-end. This will assure that infrastructure costs are funded along with utility projects.

XIII. Long-term Financial Plan

- A. The City of Richardson will adopt the annual budget in the context of a long-term financial plan, or other multi-year budget analysis.
- B. The long-term financial plans will establish assumptions for revenues, expenditures and changes to fund balances over a five year horizon. The assumptions will be evaluated periodically as part of the budget development process.

XIV. Cash Management and Internal Controls

- A. Written guidelines on cash handling, accounting, segregation of duties, and other financial matters shall be maintained.
- B. Each department director shall ensure that departmental procedures are adequate to safeguard City funds.
- C. Staffing and training shall be reviewed periodically to ensure adequacy.
- D. Daily deposits of City cash shall be performed unless amounts collected warrant less frequent deposits, as determined by the Finance Department.
- E. The timing and amount of cash needs and availability shall be systematically projected in order to maximize interest earnings from investments.
- F. The City's investment portfolio shall be managed in accordance with the Public Funds Investment Act and the City's Investment Policy.
- G. The City shall conduct periodic reviews of Internal Controls and Cash Handling Procedures.

XV. Internal Audit

- A. The function of internal audit shall be an assignment of the City Manager's Office. The administrative support may occur through directly assigned personnel or contractual professional services.
- B. The City will annually identify appropriate operations and practices to be reviewed in developing an annual Internal Audit Workplan. Other projects may be added or amended as needs arise.
- C. Reviews of operation on the identified topics will be conducted, examining for all fiduciary and financial controls, compliance, risk minimization, and general operational integrity.
- D. Recommendations and findings will be submitted for each workplan element, with the City Manager's Office responsible for implementation of proposed improvements.

XVI. Economic Development Funding

- A. The City may use authorized funding sources for promoting new development or redevelopment within the city that will promote economic improvement, stimulate commercial activity, generate additional sales tax and that will enhance the property tax base and economic vitality of the City. The primary economic development funding sources, purpose(s), and legal authority are as follows:
 - 1. Home Improvement Incentive Program – The purpose of this program is to provide an economic incentive to encourage reinvestment in residential neighborhoods. A one-time incentive payment equal to 10 times the amount of the increase in City taxes will be paid to the property owner based on the property's pre-construction and post-construction

appraised value. This program will be funded through General Fund resources as authorized by the Texas Local Government Code Chapter 380.

2. Economic Development Fund – The purpose of this fund is to account for a portion of ad valorem tax revenue committed by the City Council for stimulating economic development using tax incentives authorized by the Texas Local Government Code Chapter 380. The fund may also receive transfers from other funds such as the General Fund or General Special Projects Fund as resources become available for authorized economic development purposes.
3. General Fund – Available resources may be used to fund economic development for residential and business purposes through tax incentives authorized by the Texas Local Government Code Chapter 380. Funding may be provided directly from the General Fund or through transfers from the General Fund to the Economic Development Fund or the General Special Projects Fund.
4. Tax Increment Financing - Tax increment financing will be used to fund economic development projects for new development and redevelopment through ad valorem taxes generated on the incremental growth of real property in tax increment reinvestment zones as authorized by Texas Tax Code Chapter 311.

XVII. Revisions

- Resolution No. 96-03 dated February 5, 1996
- Resolution No. 97-23 dated November 24, 1997
- Resolution No. 98-24 dated December 14, 1998
- Resolution No. 03-05 dated January 27, 2003
- Resolution No. 03-19 dated September 8, 2003
- Resolution No. 05-28 dated December 19, 2005
- Resolution No. 11-22 dated August 8, 2011
- Resolution No. __-__ dated December 8, 2014

City of Richardson Legislative Agenda
2015 Texas Legislative Session – 84th Legislature
City Council Work Session - November 17, 2014

General Government Initiatives:

The City of Richardson strongly supports local control, where local elected officials are tasked with raising funds and providing services to respond to the individual needs of the community they serve. Cities are the government closest to the people and provide the services we cannot do without.

As such, the City of Richardson strongly supports the following general government issues:

Development:

- Close the loophole in state law that allows payday, auto title, and other consumer loan providers to carry excessively high annual percentage rates.
- Provide a level playing field for financial institutions by requiring all lenders and brokers of payday, auto title, or other consumer loans to be licensed and to comply with the same standards and consumer protection laws of licensed lenders under Chapter 342 of the Texas Finance Code.
- Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these operations engage in fiscally sound lending that supports the well-being of our communities.

Finance:

- Support legislation requiring the mandatory disclosure of real property sales prices to appraisal districts to ensure fair and equitable valuation and taxation of all real property in the State of Texas.
- Support truth in taxation efforts by urging the legislature to permit the publication of a simplified notice of tax rates and tax impact to Richardson taxpayers.

Library:

- Support legislation that would appropriate funds (\$6.4 million/biennium) for shared digital content through TexShare for public and college library users and TexQuest for K-12 public schools.
- Support funding (\$550,000/biennium) for library workforce development training and support so library professionals are better positioned to help Texans find jobs and improve their workplace skills.

Parks:

- Support legislation that creates a Constitutional dedication of sporting goods sales tax revenue for use in State and local parks.
- Restore the Local Parks Grant Program to the level recommended in the Texas Park and Wildlife legislation appropriation request.
- Ensure that no legislative appropriation riders are allowed that set aside Texas Recreation and Parks Account (TRPA) money for specific projects or locales. All candidate grant projects should be subject to the established competitive grant process.

Public Safety:

- Support enhancement of burglary of a motor vehicle from a misdemeanor to a State Jail felony.
- Support legislation authorizing sobriety check points in Texas.
- Support the requirement of a DNA sample from all suspects who are arrested for a Class B misdemeanor or higher.
- Continue support for municipally operated intersection safety camera programs.
- Enhance local control in decision making regarding fire protection system requirements.
 - Currently state law determines when a sprinkler system is required in a structure.

Water:

- Support local control in the process of infrastructure funding of projects in the state water plan, following the Prop 6, the constitutional amendment to take \$2 billion of the state's rainy day fund and create the State Water Implementation Fund of Texas (SWIFT) and the State Water Implementation Revenue Fund of Texas (SWIRFT).
- Continued support for the elements found in Senate Bill 1 (SB 1), enacted in 1997, supporting a regionally-driven planning process and regional water planning groups to create State water plans covering fifty years and updated every five years.
- Support the implementation and funding of the 2012 Region C Water Plan.
- Support an equitable mechanism for funding the state water plan.
- Continued support for the protection of all other designated unique reservoir sites in Texas.

Economic Development:

The Texas Enterprise Fund (TEF) has proven to be a valuable tool for the state to attract new job-creating projects to Texas through performance-based financial incentives. The City of Richardson has seen the benefits of the TEF through Texas Instruments, Rockwell Collins, and other successful projects.

The City of Richardson also supports the continued funding of the Texas Emerging Technology Fund (TETF). This fund is focused on fostering innovation, research and job creation in the high-tech industries. It's important for Texas to invest in emerging fields of technology in order to remain competitive in the evolving economy.

As such, the City of Richardson supports:

- Continued funding for the Texas Enterprise Fund, Texas Emerging Technology Fund, as well as the Skills Development Fund.
- Support legislation that helps build equity in economic development between communities that are able to utilize 4A/4B sales tax and those who utilize sales tax funding for regional transportation purposes.

Transportation:

The City of Richardson recognizes the value of a robust and healthy transportation system. Texas is leading the nation in population growth, and the condition/capacity of Texas roadways is declining because of underinvestment in maintenance and new construction. Dallas-Fort Worth residents want and deserve transportation improvements that enhance mobility, improve air quality, relieve gridlock, maintain existing infrastructure and energize the local economy.

Voter approval of Proposition 1 takes a portion the state's oil and gas severance tax revenue that would have gone into the rainy day fund, and allocates around \$1.7 billion annually to the State Highway Fund; however, falling oil and gas prices may reduce that amount and TxDOT has reported it needs to increase its \$10 billion budget to \$15 billion.

As such, the City of Richardson urges the Texas Legislature to adopt several transportation funding and policy initiatives:

- Support a Constitutional amendment to stop diversions of motor fuels taxes from Fund 6 to non-transportation programs.
- Identify a sustainable method of generating transportation revenue, which accounts for economic inflation and enhanced motor vehicle fuel economy, to ensure the adequate funding of statewide and regional efforts to maintain and improve multimodal transportation systems.
- Require allocations of all TxDOT funding categories across the state to be returned to the region in which they were generated.
- Support legislation that allows for 4A/4B sales tax funds to be utilized for transportation purposes.
- Support the 2015 Legislative Programs of DRMC and RTC.

Higher Education:

The University of Texas of Texas at Dallas (UTD), which is located in Richardson, focuses on developing the human capital necessary for Texas to be competitive in the global economy.

The City of Richardson recognizes UTD as a key community partner and supports the following key initiatives that will assist them in their endeavors to become a Tier-One Research University:

- Clear the \$109 million backlog of Texas Research Incentive Program (TRIP) matching funds, and restore TRIP funding for FY2016-17 to its original \$50 million/biennium.
 - TRIP provides state matching funds for private dollars raised at the state’s eight emerging research universities. DFW is home to three of these eight institutions.
 - Since TRIP was created UTD has raised \$49.2 million for faculty chairs, graduate student fellowships, and research, which was matched by \$43.2 million in TRIP funds.
- Authorize UTD’s capital building program to address the university’s explosive enrollment growth.
 - UT Dallas Tuition Revenue Bonds (TRB) Request #1 - \$110 million, 200,000 square foot Engineering Building for its growing mechanical engineering program. Graduates of this program are in very high demand, particularly in the technology-intensive DFW region.
 - UT Dallas TRB Request #2 - \$95 million, 175,000 square foot Science Building will support the mathematical and physical sciences, which are fundamental to the mission of UTD.

Public Education:

The City of Richardson strongly supports both the Richardson and Plano Independent School Districts, and believes that top-quality public schools are the bedrock of any desirable community. High-performing public schools have a positive, direct impact on an educated workforce, the stability of property values, and desirability of the city to employers and their employees.

Thus, the City supports the following initiatives related to public education:

- Ensure and protect adequate funding for school districts to meet the state’s increasing education standards, including the provision of sufficient revenue and enable all districts to pay for educational reforms and inflationary costs.
- Returning local control to locally elected school boards through sufficient taxing authority. Such local control recognizes that representative government ensures an appropriate balance between the interests of parents, students, professional educators, educators, and the community.

Anticipated Legislation to Oppose:

The City of Richardson opposes and seeks to defeat any legislation that would erode municipal authority in any way or that would otherwise be detrimental to cities, especially legislation that would:

- Reduce the appraisal growth cap established in current law.
- Impose revenue caps in the form of adjusting provisions for the current property tax rollback rate.
- Limit a municipality's ability to implement and/or maintain safety camera program. The City also opposes any further diversion of proceeds from intersection safety camera programs away from local control.
- Impose limits on the city's existing economic development authority.
- Restrict the ability of cities to provide economic and efficient methods of financing city purchases and projects.
- Erode zoning authority.
- Erode municipal authority over the rights-of-way or erode municipal authority to collect reasonable compensation for the use of rights-of-way.

Key Dates:

- January 13, 2015 – 84th Legislature convenes at noon
- March 2 and 3 – Collin County Legislative Days
- March 4 – Richardson Chamber of Commerce Legislative Day
- June 1, 2015 – Last day of 84th Regular Session