

## **Fort Worth Crime Control and Prevention District Financial Management Policy Statements**

The purpose of the Financial Management Policy is to establish and document a framework for fiscal decision-making by the Crime Control and Prevention District Board (Board). The Board will maintain a comprehensive set of Financial Management Policy Statements to be administered by City Staff on behalf of the Crime Control and Prevention District (CCPD). The aim of these policies is to ensure that financial resources are available to meet the present and future needs of the CCPD through effective program planning for CCPD revenue.

### **1. Budget (revised November 12, 2015).**

- a. *Program-Based Budgeting.* The CCPD budget shall be organized on a program basis with specific budgets, goals and objectives for each program.
- b. *Budget-Adoption Process.* Section 363.204(f) of the Texas Local Government Code authorizes the Board of Directors of the Fort Worth Crime Control and Prevention District (the Board) by rule to “adopt procedures for adopting a budget different from the procedures outlined in this subchapter, but the [B]oard must hold public hearings relating to the budget.” In accordance with that authority, the Board adopts this rule enacting a budget-adoption process that mirrors the one found in Chapter 363 but with a revised schedule that coincides with the City of Fort Worth’s budget-adoption schedule. As noted in the preamble to the Resolution adopting this rule, the purpose of aligning the two schedules is to “facilitate better, more comprehensive financial planning by allowing all resources that are available for purposes of crime control and prevention to be considered and allocated at the same time.”

In accordance with the Board-adopted rule and notwithstanding anything in Subchapter E of Chapter 363 to the contrary, the following process and deadlines shall apply to the adoption of the budget of the Fort Worth Crime Control and Prevention District:

#### **1. Municipal Funding Application**

An application for funding for the upcoming fiscal year from the Fort Worth Crime Control and Prevention District under Section 363.209 must be submitted no later than August 15.

#### **2. Board Public Hearing and Publication of Notice Thereof**

The Board shall hold a public hearing on the proposed annual budget for the upcoming fiscal year no later than September 1.

Notice of the hearing shall be published in a newspaper with general circulation in the District at least ten days prior to the date of the hearing.

#### **3. Board Adoption of Budget**

The Board shall adopt a budget for the upcoming fiscal year no later than September 8.

4. Presentation of Adopted Budget to Creating Municipality

The Board-adopted budget shall be presented to the Fort Worth City Council, as governing body of the political subdivision that created the District, as soon as practicable but under no circumstances later than September 15.

5. Public Hearing by Governing Body of Creating Municipality and Publication of Notice Thereof

The City Council of the City of Fort Worth, as governing body of the political subdivision that created the Fort Worth Crime Control and Prevention District shall hold a public hearing on the budget adopted by the Board no later than September 15.

Notice of the hearing shall be published in a newspaper with general circulation in the District at least ten days prior to the date of the hearing.

6. Approval or Rejection of Board-Adopted Budget by Governing Body of Creating Municipality

The City Council of the City of Fort Worth, as governing body of the political subdivision that created the District, shall approve or reject the budget submitted by the Board no later than September 20.

7. Joint Meeting of Board and Governing Body on Rejection of Original Board-Approved Budget.

If the Fort Worth City Council, as governing body of the municipality that created the District, rejects the budget submitted by the Board, the City Council and the Board shall meet and together amend and approve the budget before the beginning of the fiscal year.

2. **Revenue.** The Board shall design, maintain and administer a revenue system to assure a reliable, equitable, and sufficient revenue stream which includes conservative projections of revenue and is updated routinely to evaluate the health of the fund.

a. *Revenue Estimates for Budgeting.* In order to maintain a stable level of services, the Board shall use a conservative, objective, and analytical approach when preparing revenue estimates. The process shall include analysis of probable economic changes and their impacts on revenues, historical collection rates, and trends in revenues. The goal of this approach is to reduce the likelihood of actual revenues falling short of budget estimates during the year and to avoid mid-year service reductions.

b. *Revenue Collection and Administration.* CCPD funds will not be used to support the administration of revenue collection.

3. **Expenditures.** The Board shall identify priority services, establish appropriate service levels and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of services.

- a. *Current Funding Basis.* The CCPD shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of the Fund Balance accumulated through prior year savings. The use of the Fund Balance shall be guided by the Reserve Policy Statement. (See Policy Statement #4 below.)
- b. *Budget Process.* The Board shall follow the process outlined in Chapter 363 of the Texas Local Government Code, as modified by the Board-adopted rule, by accepting an annual funding application from the City of Fort Worth and developing a budget. The Board may also consider proposals from citizens or organizations presented at the public hearings held during the budget development. Section 363.105, Voting Requirements, in Chapter 363 of the Texas Local Government Code requires a two-thirds majority of the Board to reject any application for funding.
- c. *Avoidance of Operating Deficits.* The Board shall take corrective actions at any time during the fiscal year when expenditure and revenue re-estimates project an operating deficit for the fund at year-end. Corrective actions may include expenditure reductions or use of Fund Balance in accordance with the Reserve Policy. (See Policy Statement #4 below.)
- d. *Mid-Year Budget Amendments and Adjustments.*

*Amendments*

In accordance with Section 363.205(f), amendments to the budget require approval of the Board and the City Council. For purposes of this policy, an “amendment” to the budget is a change that requires appropriation of additional funds from Fund Balance or increased appropriations. A proposed amendment shall be presented first to the Board at a public meeting, and the Board shall hold a public hearing to receive input and comment from interested citizens. An amendment adopted by the Board shall then be presented to the Fort Worth City Council, as governing body of the municipality that created the district, which shall approve or reject the amendment following a public hearing to receive input and comment from interested citizens. Notice of each public hearing shall be published in a newspaper with general circulation in the district at least ten (10) days prior to the hearing. In addition, all meetings must be posted in accordance with the Texas Open Meetings Act.

*Adjustments*

Adjustments to the budget also require approval of the Board and the City Council. For purposes of this policy, an “adjustment” to the budget is a change that shifts savings from an existing program or funding level to another existing program or funding level but that does not require appropriation of additional funds from Fund Balance or an increase in appropriations. A proposed adjustment shall be presented first to the Board at a public meeting. An adjustment adopted by the Board shall then be presented to the Fort Worth City Council, as governing body of the municipality that created the district, which shall approve or reject the adjustment. No public hearing shall be required in connection with a budget adjustment. However, all meetings must be posted in

accordance with the Texas Open Meetings Act.

- e. The Board shall reimburse the City for any costs, other than personnel costs, that the City incurs for performing the duties required under Section 363.208, Deposit of Funds, in Chapter 363 of the Texas Local Government Code.
- f. *Excess Expenditures.* Excess expenditures in approved program budgets are allowed up to ten percent (10%) of the total program budget cost provided the overage does not cause the budget “Initiative” to go over budget and provided that the proposed expenditure is within the scope of the program, either as originally approved or as approved with amendment under subsection (g) of this section. When the cumulative changes exceed ten percent (10%) of the total program amount or the “Initiative” goes over budget, approval from the Board and the City Council is required. Public notice and a public hearing are not required if savings can be shifted from an existing program, but meetings to approve excess expenditures must be posted in accordance with the Texas Open Meetings Act.
- g. *Changes in Program Scope.* Changes in program scope or staffing shall require Board and City Council approval regardless of the dollar amount. All meetings must be posted in accordance with the Texas Open Meetings Act; however, mid-year budget adjustments that shift savings from existing programs and funding levels to other existing programs may be approved by both the Board and the City Council without holding a public hearing.
- h. *Periodic Program Reviews.* City staff will provide quarterly reports to the Board regarding the objectives and measures of each program. On an annual basis, the Board, in conjunction with the City Manager, shall evaluate the programs for impact, efficiency and effectiveness related to crime control and crime prevention. The Board shall consider the privatization and contracting of services with other governmental agencies or private entities as alternative approaches to service delivery. During the annual review process, programs which are determined to be inefficient and/or ineffective shall be reduced in scope or eliminated. City staff will report quarterly on the objectives and measures of each program.
- i. *Purchasing.* The City shall conduct purchasing and procurement functions on behalf of the CCPD. The processes shall be efficient, effective, and fully comply with applicable State laws and City ordinances. Staff shall make every effort to maximize discounts and capitalize on savings available through competitive bidding and “best value” purchasing.
- j. *Limits on Use of CCPD Funding for Indirect and Similar Costs.* No more than ten percent (10%) of the CCPD funding awarded to a crime control and prevention program of an entity other than the City of Fort Worth may be used by the recipient for payment of its indirect costs, administrative expenses, or other overhead costs.

4. **Reserve Policy Statement (revised May 14, 2015; May 19, 2016):**

**I. Authority:**

The Fort Worth Crime Control and Prevention District (CCPD or District) Board is responsible for legislation, policy formulation, and overall direction setting of the District. This responsibility includes the approval of financial policies which establish and direct the operations of the Fort Worth Crime Control and Prevention District. The City Manager, on behalf of the District, is responsible for carrying out the policy directives of the CCPD Board and managing the day-to-day operations of the CCPD. This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of Finance.

**II. Purpose:**

The District desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. In addition, this policy is intended to document the appropriate Reserve level to protect the CCPD's credit worthiness and provide adequate cash flow based upon the traditional operating cycle. Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities and to minimize the costs associated with short-term cash borrowing.

This policy establishes the amounts the District will strive to maintain in the CCPD Fund as Reserves, how the Reserves will be funded, and the conditions under which Reserves may be used.

**III. Applicability and Scope:**

This policy shall apply to the Crime Control and Prevention District Fund under the budgetary and fiscal control of the CCPD Board.

This policy is intended to supplement, not supersede, provisions governing the issuance of bonds or other obligations secured in whole or in part by revenues held in or credited to the CCPD Fund.

**IV. Glossary** – The Board incorporates by reference definitions provided in the Glossary appendix to the City of Fort Worth's Financial Management Policy Statements, as amended from time to time, **provided, however**, that any reference in that Glossary to "City" or "City of Fort Worth" shall be read as referring to the "Fort Worth Crime Control and Prevention District" and any reference to "City Council" shall be read as referring to the "Board of Directors of the Fort Worth Crime Control and Prevention District."

**V. Policy:**

Reserve Levels - The District will maintain the following minimum Restricted and Assigned Fund Balance:

- 1.(a) A minimum Fund Balance in the CCPD Fund equivalent to two months (16.67%) of regular, on-going Operating Expenditures (including transfers out). This calculation shall not include Non-

Recurring Items. PLUS

(b) A minimum Fund Balance in CCPD Fund equivalent to two months (16.67%) of the amount being paid in Debt Service payments for the subsequent year.

2. The applicable cumulative total of all above requirements will be the minimum reserve requirement for the CCPD Fund.

**VI. Monitoring Performance**

- A. The District will measure its compliance with this policy on an annual basis as of September 30<sup>th</sup> each year or as soon as practical after final fiscal year-end financial information becomes available. During the course of the fiscal year, the Department of Finance shall closely monitor the CCPD's revenues and expenditures to ensure Reserves are not used beyond any planned usage.
- B. If, based on staff's analysis and forecasting, the target level of Reserves is not met at fiscal year-end or is not likely to be met at any point within a five-fiscal-year time horizon, then during the annual budget process a plan to replenish the Reserve levels will be developed by collaboration among affected departments and the Department of Finance based on the requirements outlined in this policy.
- C. Funding the Reserve – Funding of Reserve targets will generally come from excess revenues over expenditures or one-time revenues.
- D. Periodic Review of the Targets – At a minimum, during the annual financial planning / budget process, staff shall review the current and five-fiscal-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the CCPD is subject to.

**VII. Pooled Cash**

Cash Balance – In order to provide liquidity adequate to meet the needs and demands of providing government services including unanticipated reductions in revenues or unplanned increases in expenditures, Cash Balances will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This practice reduces overall cost to taxpayers by minimizing interest expense. The Reserve is intended to support this effort and counterbalance the tax collection cycle.

**VIII. Conditions for Use of Reserves**

It is the intent of the District to limit use of CCPD Fund Reserves to address unanticipated, Non-Recurring needs. Reserves shall not normally be applied to recurring annual operating expenditures. Reserves may, however, be used to allow time for the District to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

**IX. Excess of Reserves**

In the event Reserves exceed the minimum balance requirements, at the end of

each fiscal year, any excess Reserves may be used in the following ways:

1. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within a long-term financial plan adopted or approved by the Board and the Board's adopted annual budget. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
2. Appropriated to lower the amount of bonds or increase the pay-as-you-go contributions needed to fund capital projects in any Capital Improvement Plan adopted or approved by the Board or in an adopted City of Fort Worth Capital Improvement Plan to which the Board agrees to make a contribution;
3. One-time expenditures that do not increase recurring operating costs and that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
4. Start-up expenditures for new programs, provided that such action is approved by the CCPD Board and is considered in the context of multi-fiscal-year projections of revenue and expenditures as prepared by the Department of Finance.

**X. Authority over Reserves**

The CCPD Board may authorize the use of Reserves. The Department of Finance will regularly report both current and projected Reserve levels to the City Manager and CCPD Board.

**XI. Quality Control and Quality Assurance:**

It is the responsibility of the Chief Financial Officer/Director of Finance to ensure the presence of procedures that provide sufficient guidance to affected personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

**XII. Metrics:**

To be developed and managed accordingly.

**XIII. Records:**

There are no records associated with this policy.

**XIV. Process Flow Map:**

Not Applicable.

**XV. Forms:**

Not Applicable.

**XVI. Appendices:**

Not Applicable.

5. **Capital Expenditures and Improvements.** The Board shall review and monitor the state of the City's capital assets purchased with CCPD funds, funding alternatives, and availability of resources.
- a. *Capital Improvements Planning.* The Board shall review the City's application for funding in conjunction with the City's annual review of the needs for capital improvements and equipment for the Police Department.
  - b. *Capital Expenditure Financing.* The Board shall recognize the following three basic methods of financing capital requirements:
    - 1. Current revenues;
    - 2. Fund Balance as allowed by the Fund Balance Policy; and
    - 3. Money borrowed through debt as allowed by Chapter 363 of the Texas Local Government Code.

CCPD funds can be used for lease/purchase agreements if the total amount borrowed does not exceed current available funds or the next year's projected program revenue. Funds may also be budgeted to pay annual debt service for police facility debt obligations of the City of Fort Worth through the normal CCPD budget processes.

6. **Debt Financing.**

The Board shall comply with Section 363.206, Limitations on Expenditures and Investments, of Chapter 363 of the Texas Local Government Code, as amended, in regards to debt financing for the CCPD.

7. **Investments:** The Board shall participate in the City's cash investment program that aims to ensure safety, provide necessary liquidity and optimize yield.
- a. *Consolidated Portfolio.* CCPD funds shall be deposited in a special account in the treasury of the City of Fort Worth and maintained by the City of Fort Worth in a Consolidated Portfolio in which it pools its funds for investment purposes.
  - b. *Cash Management Policy.* All cash management transactions with CCPD funds shall comply with the City's cash management policy and the Public Funds Investment Act as carried out by the City Treasurer and outlined in City of Fort Worth Financial Management Policy Statement VII. Investments, Section A.5, which states "Investments of the City, or of funds held in its possession in a fiduciary capacity, shall be made with the exercise of that judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived."
  - c. *Interest.* Interest earned from investments attributed to funds provided by the CCPD shall be distributed from the City of Fort Worth to the CCPD.

8. **Intergovernmental Relations.**

- a. *School Safety Initiative.* For purposes of the School Safety Initiative, the Board shall coordinate efforts with the City of Fort Worth and the various school districts located within the City of Fort Worth to achieve common policy objectives and share the cost of providing governmental services on an equitable basis.
- b. *Inter-local Cooperation in Delivering Services.* In order to promote the effective and efficient delivery of services, the City, on behalf of the CCPD, shall actively seek to work with local jurisdictions in joint purchasing consortia, sharing facilities, sharing equitably the costs of service delivery, and developing joint programs to improve service to its citizens.

9. **Fiscal Monitoring.** City Staff shall prepare and present regular reports that analyze, evaluate, and forecast the CCPD's financial performance and economic condition.

- a. *Financial Status and Performance Reports.* Consistent with State law, City staff shall prepare for Board review, quarterly reports comparing expenditures and revenues to current budget, projecting expenditures and revenues through the end of the year, noting the status of fund balances to include dollar amounts and percentages, and outlining any remedial actions necessary to maintain the CCPD's financial position,
- b. *Compliance with Board Policy Statements.* The Board shall review the CCPD Financial Management Policy Statements annually to assure compliance with federal law, state law, generally accepted accounting principles (GAAP) and the CCPD's directives.

10. **Accounting, Auditing, and Financial Reporting:** The City, on behalf of the CCPD, will comply with prevailing federal, state and local statutes and regulations, as well as current professional principles and practices.

- a. *Conformance to Accounting Principles -* The City's accounting practices and financial reporting shall conform to generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).
- b. *Selection of Auditors -* The City selects an independent firm of certified public accountants to perform an annual audit of the books of account, records and transactions, certifying the financial statements of the City and reporting the results and recommendations to the City Council. This audit shall include the Crime Control and Prevention District Fund each year as required by Chapter 363 of the Texas Local Government Code, along with any related findings reported to the Board. Staff shall instruct the auditor to include a definitive statement on the CCPD fund in the management letter. Any findings regarding CCPD funds shall be provided to the Board. Pursuant to Chapter 363 of the Texas Local Government Code, the CCPD funds will continue to be included in the annual City-wide external audit.

11. **Internal Controls:** The Board shall require that staff maintain an internal control structure designed to provide reasonable assurance that CCPD assets are safeguarded and that the possibilities for material errors in the CCPD's financial records are minimized.
- a. City staff shall develop the following:
    - i. Procedures to ensure that financial transactions and activities are properly reviewed and authorized;
    - ii. Procedures to ensure financial transactions and events are properly recorded and that all financial reports may be relied upon as accurate, complete and up-to-date; and
    - iii. Procedures to ensure that adequate safeguards exist over the access to and use of financial assets and records.
  - b. Job duties will be adequately separated to reduce to an acceptable level the opportunities for any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of assigned duties.
  - c. Independent checks and audits will be made on staff performance to ensure compliance with established procedures and proper valuation of recorded amounts.
  - d. Internal control systems and procedures must have an apparent benefit in terms of reducing and/or preventing losses. The cost of implementing and maintaining any control system should be evaluated against the expected benefits to be derived from that system.

**Restated and Revised FMPS Adopted:**

August 30, 2011

**FMPS Reviewed and Amended:**

May 14, 2015 (Reserve Policy - Amendment and Restatement)

November 12, 2015 (Budget Process Reflecting Local Rule)

May 19, 2016 (Reserve Policy - GASB 54 Amendment)

  
Betsy Price  
President

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