2009 PLANNING CALENDAR FOR BUDGET AND TAX RATE ADOPTION

Dates	Requirements
Monday, August 10	- Submission to Council of Effective and Rollback Tax Rates, Statements and Schedules - Submission of FY 2009-10 Proposed Budget to Council - Council sets time and date of public hearings on the FY 2009-10 Proposed Budget - File FY 2009-10 Proposed Budget with City Secretary's Office
Thursday, August 13	- Publication of Effective and Rollback Tax Rates, Statements and Schedules - Notice of Public Hearing on the FY 2009-10 Budget
Monday, August 17 *	- Presentation on FY 2009-10 Proposed Budget - Council discusses tax rate and if proposed rate will exceed the rollback rate or effective rate (whichever is lower), recorded vote is taken and two public hearings are scheduled.
Tuesday, August 18 *	- Council work session on FY 2009-10 Proposed Budget - Council discusses tax rate and if proposed rate will exceed the rollback rate or effective rate (whichever is lower), recorded vote is taken and two public hearings are scheduled (if not already done at previous work session).
Wednesday, August 19 *	- Council work session on FY 2009-10 Proposed Budget - Council discusses tax rate and if proposed rate will exceed the rollback rate or effective rate (whichever is lower), recorded vote is taken and two public hearings are scheduled (if not already done at previous work session).
Sunday, August 23	- Notice of Public Hearing on Tax Increase (if needed – required if tax revenue increases even if tax rate does not). Must be quarter page ad, TV and website; must be published at least 7 days before public hearings. - Notice of Public Hearing on the FY 2009-10 Budget
Monday, August 24 *	- Public Hearing on the FY 2009-10 Proposed Budget
Tuesday, September 1 *	- First Public Hearing on the Proposed Tax Rate; schedule and announce meeting to adopt tax rate. - First reading of ordinance to adopt the Budget - First reading of tax ordinance
Thursday, September 3 *	- Second Public Hearing on the Proposed Tax Rate; announce meeting to adopt tax rate 3-14 days from this date.
Sunday, September 6	- Notice of Tax Revenue Increase published before meeting to adopt (if needed – required if tax revenue increases even if tax rate does not); 2nd quarter page notice, TV and website (at least 7 days before meeting).
Monday, September 14	- Council adopts FY 2009-10 Budget; second reading of budget ordinance; ratify the property tax revenue increase reflected in the budget (if needed) - Meeting to Adopt Tax Rate; second reading of tax ordinance – (must be between 3 and14 days after public hearing).
	* Announce date, time and location at each Public Hearing for the Adoption of the tax rate on Monday, September 14

BLUE DENOTES COUNCIL ACTIVITY/ACTION REQUIRED

2009 Property Tax Rates in City Of New Braunfels

This notice concerns 2009 property tax rates for City Of New Braunfels . It presents information about three tax rates. Last year's tax rate is the actual rate the taxing unit used to determine property taxes last year. This year's *effective* tax rate would impose the same total taxes as last year if you compare properties taxed in both years. This year's *rollback* tax rate is the highest tax rate the taxing unit can set before taxpayers can start tax rollback procedures. In each case these rates are found by dividing the total amount of taxes by the tax base (the total value of taxable property) with adjustments as required by state law. The rates are given per $100 of property value.

Last year's tax rate:

Last year's operating taxes	$10,323,581
Last year's debt taxes	$4,671,311
Last year's total taxes	$14,994,892
Last year's tax base	$3,271,095,799
Last year's total tax rate	0.409862/$100

This year's effective tax rate:

Last year's adjusted taxes (after subtracting taxes on lost property)	$13,416,898
÷This year's adjusted tax base (after subtracting value of new property)	$3,298,522,761
=This year's effective tax rate	0.406754/$100

This year's rollback tax rate:

Last year's adjusted operating taxes (after subtracting taxes on lost property and adjusting for any transferred function, tax increment financing, state criminal justice mandate and/or enhanced indigent health care expenditures)	$10,715,101
÷This year's adjusted tax base	$3,298,522,761
=This year's effective operating rate	0.324845/$100
×1.08 = this year's maximum operating rate	0.350832/$100
+This year's debt rate	0.139000/$100
=This year's rollback rate	0.489832/$100

A hospital district or city that collects the additional sales tax to reduce property taxes, including one that collects the tax for the first time this year, must insert the following lines:

-Sales tax adjustment rate	0.042709/$100
=Rollback tax rate	0.447123/$100

Statement of Increase/Decrease

If City Of New Braunfels adopts a 2009 tax rate equal to the effective tax rate of 0.406754 per $100 of value, taxes would increase compared to 2008 taxes by $ 379,186.

Schedule A: Unencumbered Fund Balances:
The following estimated balances will be left in the unit's property tax accounts at the end of the fiscal year. These balances are not encumbered by a corresponding debt obligation.

Type of Property Tax Fund	Balance
General Fund	16,351,948
Debt Service Fund	1,770,397

Schedule B: 2009 Debt Service:
The unit plans to pay the following amounts for long-term debts that are secured by property taxes. These amounts will be paid from property tax revenues (or additional sales tax revenues, if applicable).

Description of Debt	Principal Payment to be Paid from Property Taxes	Interest to be Paid from Property Taxes	Other Amounts to be Paid	Total Payment
1998 Certificates of Obligation	170,000	40,137	1,000	211,137
2003 Certificates of Obligation	245,000	181,020	1,000	427,020
2004 Certificates of Obligation	1,090,000	658,962	1,000	1,749,962
2006A Certificates of Obligation	90,000	62,317	1,000	153,317
2006B Certificates of Obligation	290,000	316,397	1,000	607,397
2007 Certificates of Obligation	970,000	688,237	1,000	1,659,237
2008 Certificates of Obligation	485,000	624,996	1,000	1,110,996
2006 General Obligation Refunding Bonds	55,000	427,537	1,000	483,537
2008 Tax Notes	270,000	54,910	1,000	325,910
2009 Certificates of Obligation	335,000	353,191	1,000	689,191

	Total required for 2009 debt service	$7,417,704
-	Amount (if any) paid from funds listed in Schedule A	$1,023,256
-	Amount (if any) paid from other resources	$1,586,068
-	Excess collections last year	$0
=	Total to be paid from taxes in 2009	$4,808,380
+	Amount added in anticipation that the unit will collect only 100.000000% of its taxes in 2009	$0
=	Total Debt Levy	$4,808,380

Schedule C - Expected Revenue from Additional Sales Tax

(For hospital districts, cities and counties with additional sales tax to reduce property taxes)
In calculating its effective and rollback tax rates, the unit estimated that it will receive $ 1,477,414 in additional sales and use tax revenues. **For City:** The City has excluded any amount that is or will be distributed for economic development grants from this amount of expected sales tax revenue.

This notice contains a summary of actual effective and rollback tax rates' calculations. You can inspect a copy of the full calculations at 205 N. Seguin Ave., New Braunfels , TX 78130.
Name of person preparing this notice: Cathy C. Talcott
Title: Tax Assessor-Collector
Date prepared: July 29, 2009

ORDINANCE NO. 2009-61

APPROPRIATION ORDINANCE

AN ORDINANCE ADOPTING THE ANNUAL BUDGET FOR THE CITY OF NEW BRAUNFELS FOR THE FISCAL YEAR 2009-10; MAKING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2009; AND ENDING SEPTEMBER 30, 2010; AND REGULATING THE PAYMENT OF MONEY OUT OF THE CITY TREASURY.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NEW BRAUNFELS, TEXAS:

SECTION 1. The annual budget as more detailed in the attached document – City of New Braunfels FY 2009-10 Operating Budget and Work Plan - by reference and made a part hereof; the attached Budget Order are hereby ratified and adopted as the budget for Fiscal Year 2009-10.

SECTION 2. The amounts documented in the City of New Braunfels FY 2009-10 Operating Budget and Work Plan are hereby appropriated subject as hereinafter set forth in this ordinance, from current revenues and transfers for use, maintenance and support of the departments and divisions of the City's government and for the purposes hereinafter mentioned for the fiscal year beginning October 1, 2009, and ending September 30, 2010.

SECTION 3. That expenditures of funds for the City of New Braunfels shall hereafter be made in conformance with this budget as adopted; and as set forth in the Charter of the City of New Braunfels, Texas.

SECTION 4. WHEREAS, this ordinance shall become effective immediately upon its passage as provided by the Charter.

PASSED AND APPROVED: First reading this the 1st day of September, 2009

PASSED AND APPROVED: Second reading this the 14th day of September, 2009

CITY OF NEW BRAUNFELS, TEXAS

BY: _____
R. Bruce Boyer, Mayor

ATTEST:

_____
MICHAEL A. RESENDEZ, City Secretary

APPROVED AS TO FORM:

_____
ALAN WAYLAND, City Attorney

Budget Order

City of New Braunfels
FY 2009-10 Budget
For the period October 1, 2009 through September 30, 2010

Approval of the FY 2009-10 Budget
City Council approves the FY 2009-10 Budget as filed with the City Secretary.

Authorized Positions and Salaries
The positions listed in the FY 2009-10 Budget document under each department or division are the authorized positions for FY 2009-10. These lists include seasonal and part time positions but not temporary positions. Temporary positions are approved during the year at the City Manager's discretion and depend on available budgeted funds.

General Fund, Enterprise Funds, Special Revenue Funds, and Other Funds (as listed in the designated sections of the FY 2009-10 Budget document)
The FY 2009-10 Budget, as adopted by City Council, controls expenditures by fund, department and at the group level for all funds in these categories. These groups are:

Employee Expenses
Operations Expenses
Capital Expenses
Interfund Transfers
Debt Service
Contingencies

This means that, although funds are allocated into individual line items in each budget and those line item allocations are adopted as part of the FY 2009-10 Budget, departments have some flexibility in expensing these funds within the group. As long as the total appropriation for a group (for example employee expenses) is not exceeded, one or more line items in the group (for example health insurance) may exceed its budget allocation.

In the CDBG, HOME, Special Revenue, Grants Funds, and New Braunfels Industrial Development Corporation (NBIDC) Budget, appropriations are controlled at the project level. As the Council accepts federal entitlements and grants, as donations are received from outside sources, and as projects are approved, those proceeds are appropriated and available to departments and to NBIDC to expend for identified City purposes and needs.

Capital Improvement Funds (as listed in the designated section of the FY 2009-10 Budget document)
Capital improvement funds are controlled at the project level. Expenditures within the individual projects may span fiscal years. However, budgetary control is not exercised by fiscal year; it is by the total project cost and total project expenditures. This provides a more realistic approach to budgetary control for these types of activities.

Authority of the City Manager
The City Manager and his authorized and designated employees, at his direction, are authorized to sign or release easements, permits, licenses and change orders; to sign interlocal agreements as authorized by state law; to sign documents authorizing the payment of funds, and to expend public funds as authorized by state law unless otherwise authorized by the City Council; to settle paving assessment, weed mowing, demolition, and other disputes based on legal questions of whether the assessments are enforceable or other extenuating factual circumstances. The City Manager is authorized to adjust compensation, within Council policy guidelines, of any City employee, including appointees, when in his discretion an adjustment needs to be made to hire or retain qualified personnel. The City Manager is authorized to hire temporary employees when needed and if sufficient funds are available within the adopted budget. The intent of this section is to provide the ability to conduct daily affairs of the City, which involves numerous decisions of a routine nature, and to hire and retain qualified personnel.

City Council Approval
The City Council hereby approves grants and contracts that are set out by this budget and authorizes the City Manager and his authorized and designated employees, at his discretion, to sign said federal, state, and other such grant and contract documents, including interlocal agreements, on behalf of the City. The funds for said contracts, agreements, and purchases are hereby approved and appropriated. The intent of this section is to approve and simplify the grant process and approve expenditures that are exempt from the Purchasing and Contracting Authority of Municipalities, Chapter 252 of the Local Government Code.

ORDINANCE NO. 2009-62

TAX LEVY ORDINANCE

AN ORDINANCE LEVYING TAXES FOR THE USE AND SUPPORT OF THE MUNICIPAL GOVERNMENT OF THE CITY OF NEW BRAUNFELS AND FOR THE TAX DEBT SERVICE FUND FOR PAYMENT OF INTEREST AND PRINCIPAL REQUIREMENTS FOR THE FISCAL YEAR OCTOBER 1, 2009 THROUGH SEPTEMBER 30, 2010

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NEW BRAUNFELS, TEXAS:

SECTION 1. That there is hereby levied and there shall be collected for the use and benefit of the City's General Operating Fund during the Fiscal Year 2009-10, the sum of $0.282179 on each One Hundred Dollars ($100.00) of the assessed valuation of taxable property, real, personal and mixed, of said City of New Braunfels, which taxes, when collected, shall be paid into the City's General Operating Fund in the City Treasury. In accordance with the provisions and requirements of Section 26.05 of the Texas Property Tax Code, as amended, the City Council hereby states that THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR. Council further states that THIS TAX RATE WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A $100,000 HOME BY APPROXIMATELY $0.

SECTION 2. That there is hereby levied and there shall be collected for the use and benefit of the City's Tax Debt Service Fund during the Fiscal Year 2009-10, the sum of $0.127683 on each One Hundred Dollars ($100.00) of the assessed valuation of taxable property, real, personal and mixed, of said City of New Braunfels, which taxes, when collected, shall be paid into the City's Tax Debt Service Fund.

SECTION 3. That for the use and support of the Fiscal Year 2009-10 Budget the total tax levy of $0.409862 on every One Hundred Dollars ($100.00) assessed valuation of taxable property in the City of New Braunfels as listed and rated above, shall become due and payable on/about October 1st, 2009, and become and be considered delinquent if not paid by January 31st, 2010.

After January 31, 2010, such taxes shall become delinquent and the penalty and interest designated herein shall be collected for each month or portion of month that the delinquent taxes remain unpaid:

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Penalty	6	7	8	9	10	12	12	12	12	12	12	12
Interest	1	2	3	4	5	6	7	8	9	10	11	12
Total	7%	9%	11%	13%	15%	18%	19%	20%	21%	22%	23%	24%

The rate of interest to be collected on delinquent taxes shall be one percent (1%) per month for each month they remain unpaid. On July 1, the total penalty incurred on delinquent taxes shall be twelve percent (12%) without regard to the number of months the tax is delinquent. Accrual of interest at one percent (1%) per month for each month taxes remain unpaid shall continue to accrue until taxes are paid.

Further, after July 1, 2010, an additional Tax Attorney Fee in the amount of fifteen percent (15%) shall be added to penalty and interest as set forth herein on all delinquent taxes forwarded to the designated Delinquent Tax Attorney for collection of said delinquent taxes.

SECTION 4. All monies collected under this Ordinance for the specific items herein named, be and the same are hereby appropriated and set apart for the specific purposes indicated in such items and that the Assessor-Collector of Taxes, the City Secretary and the City Treasurer shall keep these accounts so as to readily and distinctly show the amount collected, the amounts expended and the amount on hand at any time, belonging to such funds, it is hereby made the duty of the Tax Assessor-Collector of Taxes and every person collecting money for the City of New Braunfels, Texas, for delivery to the City Treasurer and the City Secretary at the time of depositing monies, a statement showing to what funds such deposit shall be made and from what sources received. All receipts for the City not specifically apportioned by this Ordinance are hereby made payable to the General Operating Fund of the City.

SECTION 5. The recorded vote on this Ordinance was as follows:

		1st Reading	2nd Reading
District One	Council Member Richard Zapata	AYE	AYE
District Two	Council Member Mark Goodner	AYE	AYE
District Three	Council Member Mike Ybarra	AYE	AYE
District Four	Council Member Sandy Nolte	AYE	AYE
District Five	Mayor Pro Tem Kathleen Krueger	AYE	AYE
District Six	Council Member Steven Digges	AYE	AYE
	Mayor Bruce Boyer	AYE	AYE

SECTION 6. That all ordinances and parts of ordinances in conflict be and same are hereby repealed.

SECTION 7. WHEREAS, this ordinance shall become effective immediately upon its passage as provided by the Charter.

PASSED AND APPROVED: First reading this the 1st day of September, 2009.

PASSED AND APPROVED: Second reading this the 14th day of September, 2009.

CITY OF NEW BRAUNFELS, TEXAS

BY: _____
R. Bruce Boyer, Mayor

ATTEST:

_____
MICHAEL A. RESENDEZ, City Secretary

APPROVED AS TO FORM:

_____
ALAN WAYLAND, City Attorney

City of New Braunfels
Financial Policies

PURPOSE:

To establish guidelines and procedures for accounting and auditing; financial planning; budgeting and budget transfers; revenues; operating and debt reserves; personnel; purchasing and fixed assets; debt management and investment and cash management.

A. GENERAL

1. The City will operate on a fiscal year which begins on October 1 and ends on September 30.

2. The City will conduct its financial affairs in conformity with state and federal laws. These Financial Policies shall be approved by City Council and reviewed on an annual basis as a part of the budget development process.

B. ACCOUNTING, AUDITING AND FINANCIAL PLANNING

1. The Support Services Department maintains records on a basis consistent with accepted principles and standards for local government accounting, as determined by General Accounting Standards Board (GASB) and Government Finance Officers Association (GFOA).

2. Regular monthly and annual financial reports are issued summarizing financial activity. The monthly financial reports are provided to City Council and departments. A presentation of the financial reports and status is made quarterly to the City Council by the Support Services Director/Chief Financial Officer.

3. A financial audit is performed annually by an independent public accounting firm, and an official opinion and annual financial report is published and issued.

   a) Annually, City Council will accept the audited Comprehensive Annual Financial Report for the prior fiscal year.

4. Full disclosure is provided in the annual financial and budget reports and bond representations.

C. BUDGETING

1. The City budgets resources on a fiscal year which begins October 1 and ends the following September 30.

2. Beginning in FY 2008-09, the City of New Braunfels prepares and maintains a long range five year financial forecast which: a) updates reserve and expenditure projections for the next five years; b) projects capital improvement requirements over the five year period, including operating costs associated with all projects; c) projects revenue and

expenses for each year in the period; and d) describes strategic issues that present the City with challenges and opportunities for the future.

3. Information and forms for use in the annual budget preparation process will be distributed to City departments each year at the beginning of the budget development process. All departments must return their budget proposals to the Support Services Director/Chief Financial Officer.

4. A balanced proposed budget will be prepared and distributed to City Council in accordance with the City charter.

5. The proposed budget document shall include:
   a) A budget message
   b) Fund balance schedules that include expected revenue and expenditures for all funds
   c) An analysis of property valuations and tax rates including tax levies and collections for the last five years
   d) Revenue estimates
   e) Operating expenditures by department and expense category (delineated below)
   f) A five year capital improvement program including provisions for financing that plan
   g) Debt service costs (delineating principal and interest) by issuance and a description of outstanding debt issuances
   h) A statement of expenditures for debt proceeds
   i) Descriptions of departments functions and mission
   j) Performance measures for each department – workload, efficiency and effectiveness
   k) Descriptions and cost analysis of program changes
   l) Description of capital projects included for funding in the proposed budget
   m) A list of authorized positions by department and division (where appropriate)
   n) The budget and tax ordinances adopted by Council

6. City Council will adopt the tax rate and budget by ordinance in accordance with the City charter and to allow sufficient time to send out property tax statements.

7. Appropriations as approved by the City Council are incorporated into the City's financial records by the Support Services Director/Chief Financial Officer.

   a. The following general categories are used to appropriate funds annually:
      i. Employee Expenses
      ii. Operations Expenses
      iii. Capital Expense
      iv. Debt Service Expenses
      v. Contingencies
      vi. Interfund Transfers

      Detailed expenditures by line item and by department (divisions where appropriate) are maintained by the Support Services Director/Chief Financial Officer.

   b. Annually, the budget will be developed for each department at the division level to better represent their organization structures. However, the budget approved by City Council will appropriate funds at the department level and fiscal control shall occur at this level.

c. Appropriations in the Capital Project Funds are made on a project basis across multiple fiscal years rather than on a single fiscal year basis and are carried forward until the projects are completed.

d. Appropriations in the grants and donations funds (including CDBG, HOME, the Grant Fund and the Special Revenue Fund) are made on a program year basis and/or by project rather than on a City fiscal year basis.

8. Except for capital projects, grants and federal entitlement programs (CDBG and HOME), and for encumbrances outstanding in any fund at fiscal year end, unused appropriations lapse at the end of each fiscal year.

9. A budget transfer shall be made ONLY when it is submitted in writing, and initiated and signed by the department head. The Support Services Director/Chief Financial Officer shall approve all budget transfers in amounts under $5,000 except as stated in Section C-10 below. City Council shall approve all budget transfers of $5,000 or greater.

10. **ALL** budget transfers taking funds from Undesignated Funds or Appropriated Fund Balance and all budget transfers that move funds between departments require City Council approval, regardless of the amount.

11. Departments are accountable for not exceeding their annual budgetary appropriations.

D. RESERVES

1. The City of New Braunfels will maintain an operating reserve for use in the event of unanticipated, extraordinary expenditures and/or the loss of a major revenue source. In the General Fund, the operating reserve and specified contingencies shall be established at a minimum of twenty-five (25) percent of the General Fund budgeted expenditures for the current fiscal year. For all other Special Revenue Funds, the operating reserve shall equal ten (10) percent of the budgeted annual expenditures. These funds can only be appropriated by an affirmative vote of five of the seven Council members.

2. Capital project funds' reserves will be established by project, not by fund and will, in general, reflect three (3) percent of the total project costs.

3. The City will maintain a balance in the Debt Service Funds equal to not less than ten percent of the principal and interest payments on outstanding debt for each fiscal year. These funds can only be appropriated by an affirmative vote of five of the seven Council members.

E. PERSONNEL

1. At no time shall the number of regular employees on the payroll in each department exceed the total number of positions authorized by City Council. All personnel actions shall at all times be in strict conformance with applicable federal, state and City policies.

2. The City Council may institute a freeze during the fiscal year on hiring, promotions and transfers.

3. City Council shall annually approve all authorized regular positions through the annual budget adoption process and any subsequent additions or deletions to the total number of positions. The City Manager approves reclassifications of positions.

4. The City Manager is authorized to adjust compensation, within Council policy guidelines, of any City employee, including appointees, when in his discretion an adjustment needs to be made to hire or retain qualified personnel. The City Manager is authorized to hire temporary employees when needed and if sufficient funds are available within the adopted budget. The intent of this section is to provide the ability to hire and retain qualified personnel.

5. The City maintains written Personnel Policies adopted by City Council.

F. PURCHASING, CONTRACTING AND FIXED ASSETS

1. All purchases of fixed assets with a value of $5,000 or more will be placed on the City inventory.

2. The City will maintain these assets at a level adequate to protect the City's capital investments and to minimize future maintenance and replacement costs by:

   a) Developing and maintaining a five year plan for capital projects and authorizing all capital projects in accordance with this plan; and
   b) Providing for adequate maintenance of capital plant and equipment replacement in the annual operating budget.
   c) The City shall maintain reserves for vehicle replacement, computer replacement, facilities maintenance and parks maintenance.

3. Where possible, items in good, safe, useable condition placed in surplus will be used to supplement expenditures for new budgeted capital purchases or to supply needed unbudgeted new and replacement equipment.

4. The City Manager has the authority to declare items with a value of no greater than $5,000 as surplus and/or salvage for auctioning purposes.

5. Information Technology staff will review and approve all purchases of information and communication technology to ensure compatibility with the City's existing voice and data infrastructure and to protect that infrastructure from viruses and other threats.

6. Any asset seized by forfeiture will be accepted by the City Council and placed into the City inventory, before any expenditure of City budgeted funds is made for or in relation to the asset.

7. The City Manager and his authorized and designated employees, at his direction, are authorized to sign or release easements, permits, licenses and change orders; to sign interlocal agreements as authorized by state law; to sign documents authorizing the payment of funds, and to expend public funds as authorized by state law unless otherwise authorized by the City Council; to settle paving assessment, weed mowing, demolition, and other disputes based on legal questions of whether the assessments are enforceable or

other extenuating factual circumstances. The intent of this section is to provide the ability to conduct daily affairs of the City, which involves numerous decisions of a routine nature, and to hire and retain qualified personnel.

G. DEBT MANAGEMENT

1. The City will not use long term debt for current operations.

2. The City will adhere to the following when it finds it necessary to issue debt instruments:

   a) Average weighted general obligation bond maturities will not exceed twenty (20) years.
   b) The term of any debt issuance will not exceed the useful life of the capital project, facility or equipment for which the borrowing is intended.
   c) Debt service for all funds in any year will not exceed twenty-five (25) percent of the total annual operations budgets;
   d) The City will maintain a balance in the debt service fund equal to not less than ten percent of the principal and interest payments on outstanding debt for each fiscal year for all debt not requiring an earnings coverage;
   e) Interest earnings on debt service fund balances will be used to make debt service payments;

3. The City will comply with all federal requirements regarding arbitrage on debt issuances to avoid any penalties.

4. The City will consider opportunities to refund existing debt issuances if the savings on the current principal and interest payments over the remaining life of the debt produces present value savings of three (3) percent or greater.

H. INVESTMENT AND CASH MANAGEMENT

1. The City maintains a written Investment Policy adopted by City Council and reviewed annually.

INVESTMENT POLICY

1.0 POLICY

It is the policy of the City of New Braunfels to invest public funds in a manner which will provide the highest reasonable investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds. The Policy complies with and incorporates the Public Funds Investment Act, (the "Act"), Chapter 2256, Texas Government Code and the Public Funds Collateral Act, Chapter 2257, Texas Government Code.

2.0 SCOPE

This Investment Policy applies to all financial assets of the City of New Braunfels. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

Funds

General Fund
Special Revenue Funds
Debt Service Funds
Capital Project Funds
Enterprise Funds
Trust and Agency Funds
Internal Service Funds

Any new funds created by the City will be incorporated under this Policy unless specifically exempted by Council action.

3.0 PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The standard states:

> Investments shall be made with 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.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

In determining whether the investment officers have exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the officer had responsibility rather than a consideration as to the prudence of a single investment, and whether the investment decision was consistent with the written investment policy.

4.0 OBJECTIVES

The primary objectives, in priority order, of the City of New Braunfels' investment activities shall be:

4.1 Safety

Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The City shall seek to control the risk of loss due to the failure of a security issuer or guarantor by investing in high credit quality securities, by qualifying and monitoring financial counter-parties, through adequate collateralization, through diversification, and by establishing maximum maturities and weighted average maturities.

4.2 Liquidity

The City of New Braunfels' investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

4.3 Diversification

Whenever practical, assets held in the portfolio(s) shall be diversified to minimize the risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer, or a specific market sector. The City's investments shall be reviewed and rebalanced with respect to diversification at least once per calendar quarter.

4.4 Return on Investments

The City of New Braunfels' investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 INVESTMENT STRATEGY

The City maintains one commingled portfolio for investment purposes which incorporates the specific investment strategy considerations and the unique characteristics of the fund groups represented in the portfolio:

A. The investment strategy for operating, enterprise and special revenue funds has as its primary objective assurance that anticipated liabilities are matched and adequate investment liquidity provided. The secondary objective is to create a portfolio structure which will experience minimal volatility. This may be accomplished by purchasing high quality, short- to medium-term maturity securities which will complement each other in a laddered maturity structure permitting some extension for yield enhancement.

B. The investment strategy for debt service funds shall have as its primary objective the assurance of available funds adequate to fund the debt service obligations on a timely basis. Successive debt service dates will be fully funded before extension.

C. The investment strategy for debt service reserve funds shall have as its primary objective the ability to generate a revenue stream to the debt service funds from high quality securities with a low degree of volatility. Securities should be high credit quality and, except as may be required by the bond ordinance specific to an individual issue, of short to intermediate-term maturities. The potential for loss shall be further controlled through the purchase of securities within the desired maturity range.

D. The investment strategy for capital projects or capital project funds will have as its primary objective assurance that anticipated cash flows are matched and provide adequate investment liquidity. The stated final maturity dates of securities held may not exceed the estimated project completion date.

The City intends to match investments with the projected cash flows and liquidity needs of the City. In no case will the dollar-weighted average maturity of the portfolio exceed six (6) months. The maximum final stated maturity of any investment shall not exceed two years.

The City shall pursue an active versus a passive portfolio management strategy. That is, securities may be sold before they mature if market conditions present an opportunity for the City to benefit from the trade.

6.0 DELEGATION OF AUTHORITY AND RESPONSIBILITIES

Management responsibility for the investment program has been delegated by City Council primarily to the City Manager and the Chief Financial Officer, who are designated by resolution as investment officers. A registered investment adviser may also be designated as a City Council appointed Investment Officer. This authority is derived from the Act.

The Investment Officers shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Procedures should include safekeeping controls, documentation, internal controls, repurchase agreements, wire transfers, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Chief Financial Officer. The Chief Financial Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Each Investment Officer shall attend 10 hours of training in the responsibilities of the position within twelve months of assuming those duties and within every succeeding two-year period as required by the Act.

The Chief Financial Officer shall establish an annual process of independent review by an external auditor for compliance with policies and procedures.

7.0 ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any personal financial/investment relationships that could impact the performance of the City of New Braunfels' investment portfolio. If an Investment Officer has a personal relationship as defined in the Act with a business organization engaging in investment transactions with the City, the Investment Officer must disclose the relationship and file a disclosure with the City Secretary and the Texas Ethics Commission.

8.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Investment Officer(s) or adviser will maintain a list of Council authorized broker/dealers, financial institutions, money market mutual funds and local government investment pools offering to engage in an investment transaction with the City. An annual review of the services provided, financial condition and registrations of these firms will be conducted by the Chief Financial Officer and a list of firms submitted to Council for approval at least once a year. [2256.005]

Broker/dealers may include "primary" dealers as defined by the New York Federal Reserve or regional dealers. Financial institutions shall be qualified public depositories as designated by state law.

All firms desiring to transact investment transactions with the City must complete the City's internal questionnaire and execute a Policy Certification (Appendix A) before any transaction. A current audited financial statement is required to be on file for each firm. Should the City contract with an external investment advisor to execute the City's investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm shall sign the written certification, which shall be included as part of the investment advisory contract.

9.0 AUTHORIZED INVESTMENTS

Authorized investments shall be limited to the following, as further defined by the Act:

9.1 Obligations of the United States or its agencies and instrumentalities excluding mortgage backed securities;

9.2 Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities;

9.3 Fully insured or collateralized certificates of deposit issued by banks doing business in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), or its successor; or, secured by obligations as described by the Policy;

9.4 Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer or a bank doing business in Texas, and secured in accordance with this Policy, purchased under a master repurchase agreement which specifies the rights and obligations of both parties and requires that the securities involved in the transaction be held in a safekeeping account subject to the control of the City with a stated final maturity of one year, except flex repurchase agreements used for bond funds which may extend to match the expenditure plan of the bond proceeds.

9.5 AAA rated Security and Exchange Commission registered money market mutual funds with a dollar-weighted average portfolio maturity of 90 days or fewer whose investment objectives include seeking to maintain a stable net asset value of $1 per share.

9.6 Constant-dollar, AAA-rated Texas local government investment pools as defined by the Act.

9.7 Collateralized or insured demand deposit accounts in approved depositories approved by City Council under an executed depository agreement.

9.8 An SEC registered, no-load mutual fund with a weighted average maturity of less than two years, invested exclusively in obligations approved by the Policy, and continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.

Competitive Bidding Requirement

All investment transactions will be made on a competitive bid/offer basis. It is the policy of the City to require competitive bidding for all individual security purchases except for those transactions with money market mutual funds and local government investment pools which are deemed to be made at prevailing market rates. At least three bids/offers must be obtained. Bids may be solicited in any manner provided by law. For those situations where it may be impractical or unreasonable to receive three bids for a transaction due to a rapidly changing market environment or to secondary market availability, documentation of a competitive market survey of comparable securities or an explanation of the specific circumstance must be included with the bid document. All bids received must be documented and filed for auditing purposes.

Delivery versus Payment

Transactions must be settled on a delivery versus payment (DVP) basis to a City approved depository except for transactions involving mutual funds or investment pool funds. This assures City control of all its funds and assets. No securities shall be held by transaction counter-party.

Change of Authorization or Rating

The City will not be required to liquidate investments that were authorized investments at the time of purchase.

10.0 COLLATERALIZATION

10.1 Pledged Collateral

The City of New Braunfels requires all time and demand deposits to be insured or collateralized at 102%. City depositories will be required to execute tri-party depository agreements to include safekeeping agents. If the Federal Reserve acts as custodian, the Pledge Agreement of Circular 7 will be executed in lieu of the tri-party FRB signature. The agreement shall define the City's rights to collateral and shall establish a perfected security interest in compliance with federal and state regulations, including:

A. The agreement shall be in writing;
B. The agreement shall be executed by the Depository and the City contemporaneously with the acquisition of the asset;
C. The agreement will include no listing of pledged collateral.
D. The agreement must be approved by the Board of Directors or the Loan Committee of the Depository and a copy of the meeting minutes must be delivered to the City.

If the City's depository offers a collateral pooling program as defined by State Law (Local Government Code 2257) the investment officers will evaluate the program for cost efficiencies and risk before participation. Participation in a collateral pool will require Council approval.

10.2 Owned Repurchase Agreement Collateral

Each counter party to a repurchase transaction is required to execute the Securities Industry and Financial Markets Association (SIFMA) Master Repurchase Agreement. An executed copy of this Agreement must be on file before any transaction is initiated. Collateral will be evidenced by safekeeping receipts clearly denoting City ownership from the safekeeping agent.

10.3 Authorized Collateral

A. **Time and Demand Deposits**

Eligible securities for collateralization of time and demand deposits are:

- Obligations of the U.S. Government, its agencies and instrumentalities including mortgage backed securities which pass the bank test,
- Obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

Eligible collateral does not include surety bonds or letters of credit.

B. **Repurchase Agreements**

Securities bought and sold as part of a repurchase agreement are limited to:

- U.S. Government, Agencies and Instrumentalities obligations including mortgage backed securities

The eligibility of specific issues may at times be restricted or prohibited by the City because of current market conditions.

10.4 Collateral Substitution or Reduction

The right of collateral substitution or reduction is to be granted on an individual issue basis. Any depository institution requesting substitution or reduction must contact the Chief Financial Officer for approval and settlement. The value will be calculated and substitution/reduction approved if its resulting value is equal to or greater than the required value (see item 10.3 of this policy).

10.5 Collateral Levels for Certain Investments

A. **Time and Demand Deposits**

The market value of the principal portion of collateral pledged for time and demand deposits must at all times be equal to or greater than 102% of the total value of the time and demand deposits less the applicable level of FDIC insurance. The Depository shall be liable for monitoring and maintaining the collateral and collateral margins at all times.

B. **Repurchase Agreements**

A repurchase agreement's total book value equals the par value plus accrued interest. The collateral for the repurchase must be maintained at 102% of the total book value of the repurchase at all times.

10.6 Safekeeping of Collateral

A. **Time and Demand Deposits**

The market value of the principal portion of collateral pledged for time and demand deposits must at all times be equal to or greater than 102% of the total value of the time and demand deposits less the applicable level of FDIC insurance. The Depository shall be liable for monitoring and maintaining the collateral and collateral margins at all times. The custodian shall be an independent institution outside the holding company of the pledging bank.

B. **Repurchase Agreements**

The custodian shall be an independent institution.

10.7 Monitoring Collateral Adequacy for Certain Investments

Monthly reports of the pledged securities with the full descriptions and market values are required to be sent directly to the City from the custodian for all time and demand deposits. The Investment Officers will review the adequacy of the collateral. The financial institutions will be contractually liable for the daily monitoring and maintaining the required collateralization levels.

For repurchase agreements**, e**ither the counter party or custodian will be held contractually liable for monitoring and maintaining required collateral levels on a daily basis.

The Investment Officers will monitor the adequacy of all collateral underlying repurchase agreements on at least a weekly basis.

10.8 Margin Calls

If any collateral falls below 102% the deposit plus accrued interest less FDIC insurance, if applicable, the counterparty will be notified by the Investment Officers and required to pledge additional securities no later than the end of the next business day.

11.0 DELIVERY VERSUS PAYMENT

All security transactions, including collateral for repurchase agreements, shall be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by a third party custodian approved by the Chief Financial Officer and evidenced by original safekeeping receipts.

12.0 DIVERSIFICATION

The City of New Braunfels shall diversify its portfolio by security type and institution. The City will diversify to reduce reliance on any one issuer or financial institution. Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations.

Investment Type	% of Portfolio
U.S. Treasury Notes/Bonds/Bills	90%
U.S. Government Agencies	80%
Certificates of Deposit	50%
Limit per financial institution	10%
Repurchase Agreements	20%
Flex repurchase agreements by bond issue	100%
Money Market Mutual Funds	25%
Local Government Investment Pools	100%

13.0 MAXIMUM MATURITIES

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not invest in securities maturing more than two (2) years from the date of purchase.

14.0 PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a reasonable yield throughout budgetary and economic cycles, commensurate with the investment risk constraint and the cash flow requirements. The benchmark established for the portfolio in keeping with the cash flow requirements of the City shall be the six month U.S. Treasury Bill.

15.0 REPORTING

The Investment Officers shall provide a report on investment activity and returns to the City Council in the quarterly financial report. Investment performance will be monitored and evaluated by the Investment Officers on a monthly basis. This investment report shall be signed and in compliance with the Act and include, at a minimum:

1) detail on each investment position of the portfolio,
2) the beginning and ending amortized book and market value,
3) the change to market value during the period for each portfolio,
4) the beginning and ending amortized book and market value for each investment security by asset type and fund type,
5) the final stated maturity date of each investment security,
6) the dollar weighted average maturity of the portfolio and its comparison to an accepted benchmark, and
7) a statement of compliance of the investment portfolio with the Authority's Investment Policy and Strategy and the Act.

Prices used for the calculation of market values will be obtained from independent sources.

16.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the City Council on no less than an annual basis. Any changes to the Policy shall be reflected in the approving resolution of Council.

APPENDIX A:

CITY OF NEW BRAUNFLES

INVESTMENT POLICY CERTIFICATION

Firm: _____
Account Representative: _____
Date of Completion: _____

This certification is executed on behalf of the City of New Braunfels (the "City") and the "Firm" pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code in relation to investment transactions conducted between the City and the Firm.

As the authorized representative of the Firm I hereby acknowledge that I have received and reviewed the attached Investment Policy of the City of New Braunfels.

I hereby further acknowledge that the Firm has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the Firm not authorized by the Investment Policy, except to the extent that this authorization is dependent on analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

Firm Name: _____

Address _____

_____

Representative's Telephone (____) _____

Representative's FAX (____) _____

Representative's Email: _____

Signature _____

Printed Name _____

APPENDIX B:

AUTHORIZED BROKER/DEALERS AND COUNTERPARTIES

In accordance with the Texas Public Funds Investment Act, 2256.025 Selection of Authorized Brokers,

> *The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.*

The authorized list of counterparties is:

Bank of America Securities
Citigroup
JPMorgan Chase Securities
Merrill Lynch Securities
Mizuho Securities
Morgan Keegan Capital Markets
Multi-Bank Securities

Texpool Local Government Pool
TexStar Local Government Pool
MBIA Class Local Government Pool

JPMorgan Chase Money Market Mutual Fund – Government and Agency

APPENDIX C:

GLOSSARY

AGENCIES: Federal agency securities.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.). See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the City of New Braunfels. It includes five (5) combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that bond issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling from his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two (2) methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U. S. Treasury Bills.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

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

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g. Savings and Loans, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A Federal agency that insures bank deposits, currently up to $250,000 per depositor. On January 1, 2014, the standard insurance amount will return to $100,000 per depositor.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulated and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-a-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA (see below) was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): The FOMC consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. The security holder is protected by the full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHM mortgages. The term "pass throughs" is often used to describe Ginnie Mae.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase – reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: the market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: the price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state — the so-called legal list. In other states, the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or

compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond, the current income return.

REPURCHASE AGREEMENT (RP or REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 1503-1: See Uniform Net Capital Rate.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: A non-interest bearing discount security issued by the U.S. Treasury to finance the national. debt. Most bills are issued to mature in three months, six months or one year.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

GLOSSARY OF TERMS

Accounting System: The total set of records and procedures which are used to record, classify, and report information on the financial status and operations of an entity.

Activity: A specific unit of work or service.

Appropriated Fund Balance: The excess of an entity's revenues over expenditures and encumbrances over a specific period of time that are appropriated as part of the adopted budget. This fund balance is available for emergencies or unforeseen expenditures.

Appropriation: An authorization made by the City Council which allows staff to incur obligations and make expenditures of governmental resources. An appropriation is typically granted for periods of one year and specified for fixed amounts.

Assessed Valuation: An estimated value placed upon real and personal property by the appraisal district as the basis for levying property taxes.

Assets: Property owned by the City which has monetary value.

Audit: A systematic examination of resource utilization. The audit is a test of management's internal accounting controls and is intended to verify financial positions and the legality of transactions; to identify improvements in accounting systems and accuracy and consistency of transactions; and to certify the stewardship of officials responsible for governmental funds.

Authorized Positions: All positions authorized by City Council for each office and department. This includes full time, part time and seasonal positions. The numbers shown under authorized positions represent the full time equivalents (FTE) except seasonal positions. Seasonal positions are counted as 1 FTE regardless of hours worked.

Balance Sheet: A statement purporting to present the financial position of an entity by disclosing the cost of its assets, liabilities, and equities as of a specified date.

Balanced Budget: A budget in which planned expenditures on personnel, goods, services and debt are met by income from taxation and other governmental receipts.

Base Budget: Ongoing expenses for personnel, contractual services, supplies, and equipment required to maintain the same level of service as previously authorized by the City Council.

Bond: Bonds are used as long-term debt instruments to pay for capital expenditures. A bond is a written promise to pay a specified sum of money (principal) at a specified future date (maturity date), as well as periodic interest paid at a specified percentage of the principal (interest rate).

Bond Rating: The credit-worthiness of a government’s debt as evaluated by independent agencies.

Budget (Operating): A financial and operating plan consisting of an estimate of proposed expenditures for a fiscal year and an estimate of proposed revenues. The term is also used to identify the officially approved expenditure levels under which the City and its departments operate.

Budget Calendar: The schedule of key target dates which the City follows in the preparation and adoption of the budget.

Budget Document: The instrument used by the City Manager to present a comprehensive financial program to the City Council.

Budget Message: The general discussion of the proposed budget presented in writing as a part of the budget document. The budget message explains principal budget issues against the background of financial experience and presents recommendations made by the City Manager.

Capital Assets (Fixed Assets): Assets of significant value ($5,000 or greater individually) which have a useful life of several years.

Capital Improvements Budget: A plan of proposed capital expenditures and the means of financing the proposed projects.

Capital Expenses: The expenditure group used to fund capital purchases such as furniture, computers, vehicles and heavy equipment like solid waste collection trucks. Purchases made from the capital expenditures group become fixed assets of the City.

Capital Improvement Program: A multi-year plan for capital project expenditures which sets forth each proposed capital project, identifies the expected cost for each project and the amount to be expended each year.

Capital Improvements Project Activity: A Capital Improvements Project Activity is one of the following groups of actions usually undertaken in a capital improvements project: planning, design and engineering; right-of-way acquisition; construction; and equipment.

Carry Forward Balance: The amount of revenues in excess of expenditures within the same fund which are transferred from one fiscal year to the next.

Cash Management: The management of cash necessary to fund government services while investing available cash to earn interest revenue. Cash management refers to the activities of forecasting the inflows and the outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds to achieve the highest interest and return available for temporary cash balances.

CDBG: Community Development Block Grant.

Certificate of Deposit: A negotiable or non-negotiable receipt for monies deposited in a bank or financial institution for a specified period for a specified rate of interest.

Certificates of Obligation: Debt issued by a governmental entity to support capital improvement programs and projects, equipment purchases, and other assets that have a useful life at least equal to the term of the debt. Public notices are required prior to the sale of this debt.

Commodities: Items of expenditure which, after use, are consumed or show a material change in their physical condition. Commodities are generally of limited value and are characterized by rapid depreciation (i.e.: office supplies, motor fuel, etc.).

Contingencies: The expenditure group that includes all contingency funding such as undesignated funds and monies set aside for salary increases.

Contingency: A budgetary reserve set aside for emergencies or unforeseen expenditures.

Contractual Services: Items of expenditure from services the City receives from an outside company.

Current Taxes: Taxes that are levied and due within one year.

Debt Service: The obligation to pay the principal and interest of all bonds and other debt instruments according to a pre-determined payment schedule.

Delinquent Taxes: Taxes which are unpaid after the due date, in which a penalty is assessed for non-payment.

Department: A major administrative division of the City that reports to the City Manager and that indicates overall management responsibility for the operation of a group of related functions.

Depreciation: Expiration in the service life of capital assets attributable to wear and tear, deterioration, physical elements, inadequacy, or obsolescence. Depreciation is also the portion of the cost of a capital asset which is charged as an expense during a particular accounting period. Depreciation is applied to assets in enterprise funds.

Effective Tax Rate: That tax rate which will generate the same amount of tax revenue on the same tax base in the next fiscal year as in the current fiscal year.

Employee Expenses: The expenditure group that includes all personnel related costs such as salaries, social security and Medicare, retirement, group health insurance, group life insurance and workers compensation premiums.

Encumbrances: Obligations in the form of purchase orders, contracts, or salary commitments which are reserved in specified appropriations. Encumbrances cease to exist when an invoice is paid or when an actual liability is established.

Enterprise Fund: A fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is to recover the cost of providing goods through fees. Rate schedules for these services are established so that revenues are adequate to meet all necessary expenditures.

Estimate: The estimated actual expenditures and revenues for the fiscal year prior to the budget fiscal year. Used to determine the Carry Forward Balance.

Estimated Revenue: The amount of projected revenue to be collected during the budget fiscal year.

Expenditure Group: A grouping of like expenditures used to exercise budgetary control. For example, the Employee Expenses expenditure group includes salaries, social security and Medicare, retirement, group health insurance, group life insurance and workers compensation

premiums. A department can over run an individual line item as long as the expenditure group remains within budget.

Expenditures: The cost of goods and services rendered.

Fiscal Year: The time period designated by the City signifying the beginning and ending periods for recording financial transactions. New Braunfels has designated October 1 to September 30 as its fiscal year.

Full Faith and Credit: A pledge of the City's taxing power to repay debt obligations.

Fund: An independent fiscal and accounting entity with a self-balancing set of accounts, identifiable revenue sources and expenditures. Funds are segregated for the purpose of completing specific activities or attaining certain objectives.

Fund Balance: The excess of an entity's revenues over expenditures and encumbrances over a specific period of time.

General Accounting Standards Board (GASB): The current source of generally accepted accounting principles used by state and local governments in the United States. GASB is a private, non-governmental organization.

General Fund: The largest fund within the City, the General Fund accounts for most of the financial resources of the government which may be used for any lawful purpose. General Fund revenues include property taxes, sales tax, franchise fees, court costs and fines, licenses and permits, charges for services, parks and recreation fees and other types of revenue. The General Fund usually includes most of the basic operating services, such as Police, Fire, Parks and Recreation, Library, Public Works, Planning and Community Development, Municipal Court and internal service functions.

General Obligation Bond: General Obligation Bonds must be authorized by public referenda. Bonds become General Obligation Bonds when the City pledges its full faith and credit to the repayment of the issued bonds.

HOME: Home Investment Partnership Act.

Interfund Transfers: The expenditure group used to account for transfers between funds.

Intergovernmental Revenue: Revenue received from another government for a specified purpose.

Internal Service Fund: Funds utilized to account for the financing of goods or services provided by one department or office to other departments or offices within a government. The Self Insurance Fund is the City of New Braunfels only internal service fund.

Investment: Securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals, or base payments received.

Liability: Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date. A liability does not include encumbrances.

Long-Term Debt: Debt with maturity of more than one year after the date of issuance.

Maturities: The dates on which the principal or stated values of investments or debt obligations mature and may be reclaimed.

OPEB: Other Post Employment Benefit. A major category of OPEB is retiree medical insurance benefits.

Operating Funds: Resources derived from recurring revenue sources used to finance ongoing operating expenditures and "pay-as-you-go" capital projects.

Operations Expenses: The expenditure group that includes all payments for services. Examples of expenses included in this group are: postage, utilities, professional services, supplies, parts, vehicle and radio repair and maintenance and contributions to other agencies.

Performance Measures: Specific quantitative measures of work performed within an activity or program (i.e. total number of EMS responses by the Fire Department). Types of performance indicators include workload, efficiency (output), effectiveness (outcome) and productivity indicators.

Program Change: Requests submitted by departments during the budget preparation process to change the level of service or method of operation. Generally, these requests are for additional resources including personnel, but may take the form of program reductions or elimination.

Reconciliation: A detailed summary of increases and decreases in departmental expenditures from one budget year to another.

Reserve: An account used to indicate that part of a fund's assets are legally reserved for a specific purpose.

Resources: Total dollars available for appropriations including estimated revenues, fund transfers, and beginning fund balances.

Revenue: The funds collected by a government.

Revenue Bonds: Government-issued bonds which do not pledge the full faith and credit of the jurisdiction, and must therefore rely on operating revenues other than property taxes to repay the bonded indebtedness. For example, the golf course operation could issue revenue bonds backed by greens fees and other charges.

Revenue Estimate: A formal estimate of how much revenue will be earned from a specific revenue source for the upcoming budget period.

Risk Management: An organized attempt to protect a government's assets against accidental loss.

Shortfall: The excess of expenditures over revenues during a single accounting period.

Sales Tax: Revenue generated to the City from a percent tax levied on certain retail goods and services purchases. The current tax is 1.5 percent. This amount is split with 1.125 percent going to the City's General Fund and .375 percent going to the New Braunfels Industrial Development Corporation to fund economic development activities.

Tax Levy (Property): The total amount to be raised by general property taxes for operating and debt service purposes.

Tax Rate (Property): The amount of tax levied for each $100 of assessed valuation.

Tax Rate Limit: The maximum legal property tax rate at which a City may levy a tax. The limit may apply to taxes raised for a particular purpose or for a general purpose.

Yield: The rate earned on an investment based on the price paid for the investment.