CITY OF BEDFORD

Principal Officials
Fiscal Year 2010 - 2011

ELECTED

CITY COUNCIL

Jim Story – Mayor

Roger Fisher, Council Member, Place 1

Roy Savage, Council Member, Place 2

Jim Griffin, Council Member, Place 3

Ray Champney, Council Member, Place 4

Dr. Roy Turner, Council Member, Place 5

Chris Brown, Mayor Pro Tem, Place 6

SENIOR STAFF

Beverly Griffith, City Manager, CGFO

David Miller ..... Deputy City Manager

Michael Wells .....City Secretary

Jill McAdams, SPHR .....Director of Human Resources

James Tindell .... Fire Chief

David Flory .....Police Chief

John Kubala, PE..... Director of Public Works/Engineering

Mirenda McQuagge-Walden, CGFO.....Managing Director of Community Services

Clifford W. Blackwell, III, CGFO ..... Director of Administrative Services

Bill Syblon ..... Director of Development

CITY OF BEDFORD PROFILE

The City of Bedford is located in Northeast Tarrant County in the region of North Central Texas. It lies approximately fourteen miles from downtown Fort Worth along SH 121, and around twenty-two miles from downtown Dallas. Along with Bedford's central location between these two major cities, it is less than ten miles west of DFW International Airport, twenty-two miles west of Dallas Love Field, and twenty-two miles southeast of Alliance Airport. The City has a total land area of approximately ten square miles, which is around 6,393 acres.

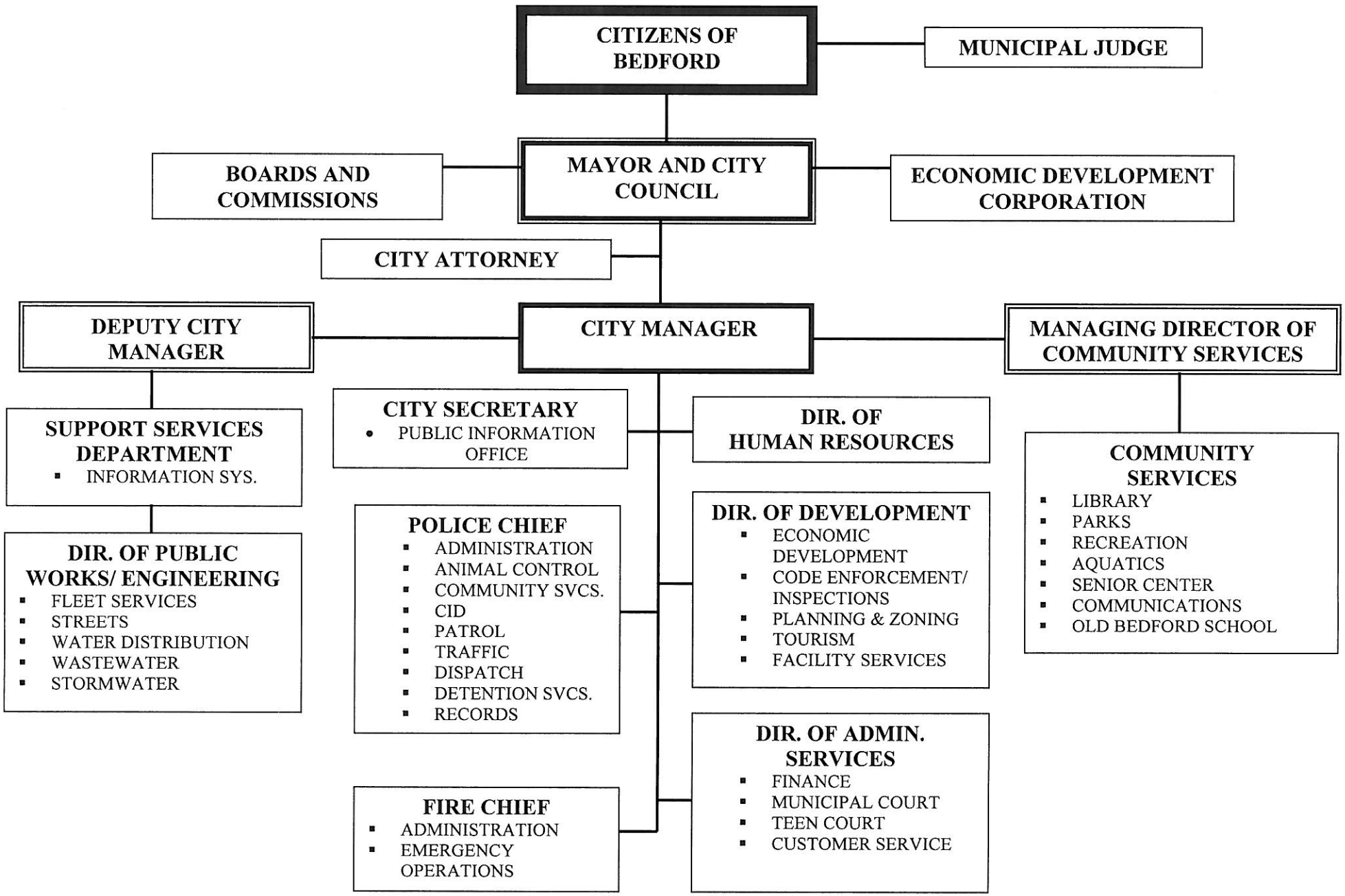
Settlers first arrived in the Bedford area in 1860. In 1869 Weldon Wiles Bobo migrated to the area from Bedford County, Tennessee and established a store named "Bobo's Store." He secured the first post office in 1877, and the town was named Bedford for his home county. By 1882, the community had grown to a population of about 2,000 and had twenty-eight businesses along Bedford Road, including three general stores, two drug stores, two blacksmith shops, two saloons, two cotton gins, and a grist mill. After 1894, the public school system was established. Bedford Elementary School was constructed on the current site in 1912 and remained in operation as an elementary school until 1969. It was the first use of brick as a building material in the area. From 1900 to 1912, the community experienced a steady decline in population. World War II was the beginning of the next growth period of the community as military bases and defense contractors began to build in the surrounding areas. Bedford Boys Ranch was also established on a 253-acre tract of land in 1949.

Bedford incorporated January 22, 1953 with a population of approximately 475 in a two square mile area. At this time, the City had a mayor-commission type of government. On September 24, 1966, the citizens adopted a home rule charter along with the council-manager form of government.

Bedford operates under the council-manager government. It elects a Mayor and six Council Members at-large to serve staggered three-year terms. All powers of the City and the determination of policy are vested in the elective Council which enacts legislation, adopts budgets, determines policies, and appoints the city manager who executes the laws and administers the government of the City. The city manager is directly responsible to the Council, and each of the nine department directors report to the city manager's office.

Currently, the estimated population of Bedford is 49,750. The average household income is $81,023, and the median household income is $73,614. Approximately 48.4% of the residents are homeowners and 29.1% have a bachelor's degree. The average value of a single-family residential property is $159,203. Bedford is almost completely developed and has only 3% undeveloped land. Its economy is primarily commercial/service oriented with retail, professional services, and restaurants comprising a large portion of the business activity.

CITY OF BEDFORD
ORGANIZATIONAL CHART



CITY OF BEDFORD
OPERATING BUDGET CALENDAR
2010 - 2011

MARCH

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

APRIL

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

MAY

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

JUNE

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

JULY

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

AUGUST

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

SEPTEMBER

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

DATE	DAY	ACTION
3/11 - 3/12	Thur - Fri	Staff Operating Budget Kick-Off
		Position Control Verification distribution to Departments
April 05	Monday	Request for Staffing forms for new employees due to Charles Carlisle
		Position Control Verification forms due to Charles Carlisle
		Personal Computer Equipment requests due to Charles Carlisle
		Vehicle Request forms due to Charles Carlisle
		Building Maintenance Request forms due to Charles Carlisle
April 16	Friday	Request for Staffing forms returned to departments
		Personal Computer Equipment requests returned to departments
		Vehicle Request forms returned to departments
		Building Maintenance Request forms returned to departments
		Revenue Projections due to Departments
April 30	Friday	Completed Budgets and Line Item Detail due from Departments
		Supplemental Funding Request Forms due from Departments
		Supplemental Ranking Form due from Departments
		Revenue Projections due from Department
		Budget Exception Reports due from Departments

CITY OF BEDFORD
OPERATING BUDGET CALENDAR
2010 - 2011

DATE	DAY	ACTION
May 14	**Friday**	**Preliminary Appraisal Roll from Tarrant Appraisal Dist.**
05/17 - 05/21	Mon - Fri	Individual Department Budget Meetings with Finance **(Including Supplemental Requests, Program Summary, Program Narrative, and Line Item Detail)**
May 28	Friday	Final Drafts Due to Finance
May 31	Monday	Memorial Day
June 04	Friday	City Manager Review
06/14 - 06/17	Mon - Thur	Individual Department Budget Meetings
June 24	Thursday	Staff Budget Workshop
July 08	*Thursday*	*Staff Budget Workshop- If needed*
July 15	Thursday	*Staff Budget Workshop- If needed* Updated Budget Exception Reports due from Departments
July 19	Monday	Projected 2010 and Proposed 2011 Report due from Finance
July 26	**Monday**	**Final tax roll from Tarrant County Appraisal District**
July 30	**Friday**	**Budget to City Council**
August 01	**Sunday**	**Publish effective and rollback rate**
August 06	**Friday**	**Council Budget Work Session- LEC**
August 10	Tuesday	Council to set Public Hearing on Budget/Tax Rate for 8/24 and 8/31
August 23	*Monday*	*First day of classes for HEB Independent School District*
August 24	Tuesday	Public Hearing on Budget and Tax Rate
August 31	Tuesday	Second Public Hearing on Tax Rate
September 14	Tuesday	Approve Budget Ordinance and Tax Rate

CITY OF BEDFORD, TEXAS
READER'S GUIDE
FY 2010-2011 BUDGET

The purpose of this section of the budget document is to assist the reader in his or her efforts to understand the City's program of services for the upcoming fiscal year.

ORGANIZATIONAL AND FINANCIAL STRUCTURE

The manner in which goals and tasks are accomplished in any organization has structure. The organizational structure of the City is displayed in various ways:

1. A city-wide organization chart found in this section.
2. The presentation of the financial and organizational structures found in this section.

Funds are the backbone of the City's financial structure. Funds are established for specific revenues and expenditures related to certain activities of the City. Funds are further organized into various groups to identify their purpose.

This budget document is organized primarily by organizational structure. Departments are presented by functional areas of responsibility and are introduced by the large white tabs such as General Government, Development, Administrative Services, Police, Fire, Public Services and Parks, Recreation and Special Events. In each of these sections, the activities provided by these departments are described in divisional units.

The division is the most basic unit of organizational structure. A division identifies a grouping of similar, related work activities. Examples of divisions include Patrol (Police), Fleet Maintenance (Public Services), and Recreation (Community Services). Budgets are prepared at the division level. They are then combined to determine department, fund, and total city budgets. Departments are traditionally the highest-level organizational units of municipal government operations. Almost everyone is familiar with departments such as Police, Fire, and Public Services. A department may be comprised of divisions from more than one fund, and this structure is illustrated in the organizational chart found in this section.

PROGRAM NARRATIVE

The Program Narrative includes a mission statement for each division, goals and objectives, as well as a budget narrative which highlights any changes in level of service that are being proposed by the division.

PROGRAM SUMMARY

The Program Summary contains a summary of financial and staffing resources. These summaries are presented in a historical format. Financial and staffing data are provided in terms of the prior year, the current year budget, current year re-estimate and proposed future year. Requests for capital outlay, new or expanded programs are presented using a Supplemental Funding Request form. This form includes a prioritization of the request, title and description of the program, as well as detailed revenue and expenditure data to support each individual request.

BASIS OF ACCOUNTING

All governmental fund types and agency fund types use the modified accrual basis of accounting. These funds include the General Fund, Tourism Fund, Police Training Fund, Drug Enforcement Fund and the Court Security Fund. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end.

Expenditures are recognized when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, sales taxes, franchise taxes, special assessments, licenses, interest and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The accrual basis of accounting is utilized by proprietary type funds, which include the Water/Sewer Fund and the Storm Water Fund. Under this method, revenues are recognized when earned and expenses are recognized at the time the liabilities are incurred. The City's policy is to apply all Financial Accounting Standards Board standards to its proprietary funds unless they conflict with GASB guidance.

DEBT SERVICE

The debt service section is a comprehensive presentation of all long-term debt obligations of the City, regardless of the source of funding utilized for repayment of the debt. Also included are individual payment schedules for all issues, showing principal and interest payments due each fiscal year to maturity.

CAPITAL IMPROVEMENT

The Capital Improvement Program is divided into two sections. The first section is a summarized presentation of the current five-year capital improvement program known as the Bedford 2005 Program. The second section includes a budget recommendation from the City of Bedford Street Improvement Economic Development Corporation. The purpose of the Corporation, created during the FY 1997-98 fiscal year, is to administer the funding provided by the approval of an additional 1/2 of 1% sales tax to be used for street improvements as they relate to the City's economic development program.

COMMENTS

Your comments and questions are important. If you have suggestions or questions regarding the budget, please direct them to:

Administrative Services Department
City of Bedford
2000 Forest Ridge Drive
Bedford, Texas 76021

OR

Phone: (817) 952-2174
FAX: (817) 952-2454
E-mail: cliff.blackwell@ci.bedford.tx.us

CITY OF BEDFORD
FISCAL AND BUDGETARY POLICY STATEMENTS

I. STATEMENT OF PURPOSE

The intent of the following Fiscal and Budgetary Policy Statements is to enable the City to achieve and maintain a long-term stable and positive financial condition. The watchwords of the City's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.

The more specific purpose is to provide guidelines for planning and directing the City's day-to-day financial affairs and in developing recommendations to the City Manager and City Council.

The scope of these policies includes:

- accounting, auditing and financial reporting;
- internal controls;
- operating budget management;
- capital budget and improvement programs;
- asset management;
- revenue management;
- expenditure control;
- financial conditions, reserves and stability ratios;
- debt management; and
- staffing and training.

These policies are designed to benefit the City by:

- Ensuring the fair and full disclosure of the financial position and the results of financial operations in conformity with Generally Accepted Accounting Principles (GAAP), and
- Adhering to compliance with finance related legal and contractual issues in accordance with the provisions of the Texas Local Government Code, the City Charter, and other applicable legal mandates.

The City Council will annually review and approve the Fiscal and Budgetary Policy Statements as part of the budget process.

II. ACCOUNTING, AUDITING AND FINANCIAL REPORTING

ACCOUNTING. The city is solely responsible for the reporting of its financial affairs, both internally and externally. The Director of Administrative Services is the City's Chief Fiscal Officer and is responsible for establishing the Chart of Accounts and for properly recording financial transactions.

AUDITING. In conformance with the City's Charter and according to the provisions of the Texas Local Government Code, Title 4, Chapter 103, the City will be audited annually by outside independent accountants (auditor). The auditor must be a CPA firm of regional reputation and must demonstrate that it has the breadth and depth of staff to conduct the City's audit in accordance with generally accepted auditing standards and contractual requirements. The auditor must be registered as a partnership or corporation of certified public accountants, holding a license under Article 41a1, Section 9, of the Civil Statutes of Texas, capable of demonstrating that it has sufficient staff which will enable it to conduct the City's audit in accordance with generally accepted auditing standards as required by the City Charter and applicable state and federal laws. The auditor's report on the City's financial statements will be completed within 120 days of the City's fiscal year end, and the auditor will jointly review the management letter with the Council within 30 days of its receipt by the staff.

The City Council has established an audit committee that meets with the independent auditors primarily at year-end to discuss the results of the audit. The committee consists of three City Council members to be appointed by a majority of the City Council. The audit committee plays an advisory role to the City Council and helps to facilitate communication between management, the auditors, and the City Council. Management and City Council remain ultimately responsible for the fair presentation of the financial statements and for obtaining and monitoring the financial statement audit.

In conjunction with their review, the Director of Administrative Services shall respond in writing to the City Manager and City Council regarding the auditor's Management letter, addressing the issues contained therein. The Council shall schedule its formal acceptance of the auditor report upon resolution of any issues resulting from the joint review.

The auditor is retained by and is accountable directly to the City Council and will have access to direct communication with the City Council if the City Staff is unresponsive to auditor recommendations or if the auditor considers such communication necessary to fulfill its legal and professional responsibilities.

The City will not require an auditor rotation; however, the Council may circulate requests for proposal for auditor services every three to five years.

FINANCIAL REPORTING. Upon completion and acceptance of the annual audit by the City's auditors, the City shall prepare a comprehensive annual financial report (CAFR). The CAFR will be prepared in accordance with generally accepted accounting principles. The CAFR shall be presented to the City Council within 120 calendar days of the City's fiscal year end. City staffing limitations may preclude such timely reporting. In such case, the Administrative Services Director will inform the City Manager and the City Manager will inform the City Council of the delay and the reasons therefore.

The Finance Division will prepare internal financial reports sufficient to plan, monitor, and control the City's financial affairs. Internal reporting objectives are addressed throughout these policies.

III. OPERATING BUDGET MANAGEMENT

BUDGETARY ACCOUNTING BASIS. The City's accounting records for general governmental operations are maintained on a modified accrual basis according to Generally Accepted Accounting Principles (GAAP). The revenues are recorded when actually received, and expenditures are recorded when the liability is incurred. Accounting records for the City's utilities and other proprietary funds are maintained on a full accrual basis. For example, expenditures are recognized when a liability is incurred, and revenues are recognized when they are obligated to the City. Depreciation is budgeted as an operating expense. Capital purchases for the proprietary funds are listed in the budget document in order that proposed purchases can be reviewed by the City Council. The budgetary accounting basis follows GAAP except that fund balances/retained earnings are presented in the budget as a measure of available spendable resources. Unexpended appropriations for budgeted funds lapse at fiscal year end, except for appropriations for Capital Project Funds, which are for the length of the project.

OVERVIEW. Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. The City's "operating budget" is the City's annual financial operating plan. It comprises governmental and proprietary funds, including the Debt Service Fund, and various capital improvement funds.

PREPARATION. The budget is prepared by the City Manager with the cooperation of all City departments, and is submitted to the City Council. The budget should be presented to the City Council no later than forty five (45) days prior to fiscal year end, and should be enacted by the City Council prior to fiscal year end.

The budget shall include four basic segments for review and evaluation. These segments are:

(1) Personnel Costs;
(2) Base Budget for Operations and Maintenance Costs;
(3) Supplemental Funding Packages for Capital and Other Non-capital Projects (i.e., new or expanded programs); and
(4) Projected Revenues.

The base budget represents funding for the current level of service, and does not include capital outlay, new programs or new services. Any increase in the base budget request will be limited to no more than the average of the Consumer Price Index (CPI) for the most recent three-year period available. Any item requested for capital outlay, new programs or new services is shown as a Supplemental Funding Package. Supplemental Funding Packages are above and beyond the prior year base, and are considered individually for funding approval.

A Combined Budget Summary with scheduled inter-fund transfers is included in the budget presented to the City Council. The Fund Balances will be identified as to restricted and unrestricted, designated and/or reserved.

The budget review process shall include Council participation in the development of each of the four segments of the proposed budget and a Public Hearing to allow for citizen participation in the budget preparation.

The budget process shall span sufficient time to address policy and fiscal issues by the Council.

A copy of the proposed budget shall be filed with the City Secretary when it is submitted to the City Council in accordance with the provisions of the City Charter.

Upon the presentation of a proposed budget document to the Council, the Council shall call and publicize a public hearing. The Council will subsequently adopt by Ordinance such budget as it may have been amended as the City's Annual Budget, effective for the fiscal year beginning on the first day of October.

PLANNING. The budget process will be coordinated so as to identify major policy issues for City Council consideration several months prior to the budget approval date so that proper decision analysis can be made.

REPORTING. Periodic financial reports will be prepared to enable the Department Directors to manage their budgets and to enable the Administrative Services Director to monitor and control the budget as authorized by the City Manager.

AMENDING. In case of grave public necessity, emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget may, from time to time, be authorized, upon the affirmative vote of a majority of the full membership of the council, including the mayor as a voting member, as amendments or supplements to the original budget. Such supplements and amendments shall be approved in an ordinance and shall be filed with the original budget. (See Section 4.09 of the City Charter)

IV. REVENUE MANAGEMENT

The City will strive for the following optimum characteristics in its revenue system:

SIMPLICITY. The City, where possible and without sacrificing accuracy, will strive to keep the revenue system simple in order to reduce compliance costs for the taxpayer or service recipient. A corresponding decrease in the City's costs for collection and a reduction in avoidance to pay will thus result.

CERTAINTY. A knowledge and understanding of revenue sources increases the reliability of the revenue system. The City will understand its revenue sources and enact consistent collection policies to provide assurances that the revenue base will materialize according to budgets and plans.

EQUITY. The City shall require that there be a balance in the revenue system; i.e., the revenue base will have the characteristic of fairness and neutrality as it applies to cost of service, willingness to pay, and ability to pay.

ADMINISTRATION. The benefits of a revenue type will exceed the cost of producing the revenue. The collection process will be reviewed periodically for cost effectiveness as a part of the indirect cost and cost of service analysis.

DIVERSIFICATION AND STABILITY. In order to protect from fluctuations in a revenue source due to fluctuations in the economy and variations of other factors, a diversified revenue source will be pursued and maintained as a stable source of income.

CONSERVATIVE ESTIMATION OF REVENUE. In order to mitigate the effects of fluctuations in a revenue source due to fluctuations in the economy and variations of other factors, all revenues will be conservatively estimated with the exception of property tax and inter-fund transfers.

COST/BENEFIT OF ABATEMENT. The City will use due caution in the analysis of any tax or fee incentives that are used to encourage development. Ideally, a cost/benefit (fiscal impact) analysis will be performed as a part of such caution.

NON-RECURRING REVENUES. One-time or non-recurring revenues will not be used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes.

PROPERTY TAX REVENUES. All real and business personal property located within the City shall be valued at 100% of the fair market value for any given year based on the current appraisal supplied to the City by the Central Appraisal District. Reappraisal and reassessment shall be done regularly as required by State law.

In January of 1995, the citizens of Bedford approved an additional one-half of one percent sales tax for property tax reduction, as provided for in the State Property Tax Code. This resulted in a reduction of the operations and maintenance property tax rate of approximately eleven cents in the subsequent fiscal year. This reduction is called the sales tax adjustment rate, and is re-calculated on an annual basis.

When comparing the adopted property tax rate for the City of Bedford to surrounding cities, the City of Bedford tax rate should be combined with the sales tax adjustment rate to arrive at a tax rate that is comparable in method of calculation. This total rate should fall within a reasonable range of comparable cities and should be adequate to produce the revenues needed to pay for approved City services.

The adopted tax rate should not exceed the rollback rate as computed by Truth in Taxation laws. Property tax revenues will be estimated based on the actual percentage of collections for the prior year, net of any unusual or non-recurring activity.

SALES TAX. Sales tax revenue projections shall be conservative due to the volatile nature of this economically sensitive revenue source.

USER-BASED FEES. For services associated with a user fee or charge, the direct and indirect costs of that service will be offset by a fee where possible. There will be a periodic review of fees and charges to ensure that fees provide adequate coverage of costs of services.

UTILITY RATES. The City will review and adopt utility rates periodically that will generate revenues required to fully cover operating expenditures, meet the legal restrictions of all applicable bond covenants, and provide for an adequate level of working capital needs. Rates will be structured in order to generate 75% of the fixed cost of operating the utility system from the minimum monthly service charges, and 25% of fixed cost from consumption charges. This policy does not preclude drawing down cash balances to finance current operations; however, it is best that any extra cash balance be used instead to finance capital projects.

Components of the Utility Rates will include a transfer to the General Fund for an administrative fee for services of general overhead, such as administration, finance, personnel and data processing. This fee will be documented annually through a cost allocation procedure.

INTERGOVERNMENTAL REVENUES. The reliance placed on intergovernmental revenues will be eliminated. Any potential grants will be examined for matching requirements.

V. EXPENDITURE CONTROL

APPROPRIATIONS. The level of budgetary control is the Department level budget in the Governmental and Proprietary Funds, and the Fund level in all other funds. Budget appropriation amendments at lower levels shall be made in accordance with applicable administrative procedures.

PURCHASING. All City purchases and contracts shall conform to the City Purchasing Policy.

PROMPT PAYMENT. All invoices approved for payment by the proper City authorities shall be paid by the Finance Division according to state law. The Director of Administrative Services shall establish and maintain proper procedures which will enable the City to take advantage of all purchase discounts, when possible, except in the instance where payments can be reasonably and legally delayed in order to maximize the City's investable cash.

RISK MANAGEMENT. The City will aggressively pursue every opportunity to provide for the Public's and City employees safety and to minimize the risk of loss of resources through liability claims with an emphasis on safety programs. All reasonable options will be investigated to finance risks.

VI. ASSET MANAGEMENT

INVESTMENTS. The Director of Administrative Services shall promptly invest all City funds in accordance with the provisions of the current Bank Depository Agreement or in accordance with the City Council approved Investment Policy.

At the end of each fiscal year, a report on investment performance will be provided to the City Council. In conjunction with the financial reports presented to Council, the Director of Administrative Services shall prepare and provide a written recapitulation of the City's investment portfolio to the Council, detailing each City investment instrument with its rate of return and maturity date.

CASH/TREASURY MANAGEMENT. Periodic review of cash flow position will be performed to determine performance of cash management and investment policies. A detailed policy structure will be followed with respect to Cash/Treasury Management. The underlying theme will be that idle cash will be invested with the intent to (1) safeguard assets, (2) maintain liquidity and (3) maximize return. Where legally permitted, pooling of investments may be done. The City will adhere to the investments authorized through the City Council approved investment policies.

The City's cash flow will be managed to maximize the cash available to invest. Such cash management will entail the centralization of cash collections, where feasible, including property tax payments, utility bills, building and related permits and licenses, and other collection offices as appropriate.

FIXED ASSETS AND INVENTORY. These assets will be reasonably safeguarded, properly accounted for, and prudently insured.

A fixed asset of the City shall be defined as a purchased or otherwise acquired piece of equipment, vehicle, furniture, fixture, capital improvement, addition to existing capital investments, land or buildings, with the cost or value of such acquisition being $5,000 or more with an expected useful life greater than one year.

The City's fixed assets shall be reasonably safeguarded, properly accounted for and sufficiently insured. Responsibility for the safeguarding of the City's fixed assets lies with the Department Director in whose department the fixed asset is assigned. The Finance Division shall supervise the marking of fixed assets with City numbered property tags and shall maintain the permanent records of the City's fixed assets including description, cost, department of responsibility, date of acquisition, depreciation and expected useful life. The Finance Division shall also perform an annual inventory of assets using random sampling at the department level. Such inventory shall be performed by the Director Administrative Services or his or her designee in the presence of designated department personnel from the department of responsibility.

COMPUTER SYSTEM / DATA SECURITY. The City shall provide security of its computer system and data files through physical security. The computer system (CPU) shall be in a location inaccessible to unauthorized personnel. On a frequent and scheduled basis, backup files of system data will be stored off premises for safekeeping.

In addition, the City will take all prudent steps to ensure that the accessibility and integrity of the City's computer and information systems will be protected from viruses, unauthorized access, and other such threats and hazards.

VII. CAPITAL BUDGET AND PROGRAM

PREPARATION. The City's capital budget will include all capital project funds and all capital resources. The budget will be prepared annually. The capital budget will be prepared as directed by the City Manager with the involvement of all required City departments.

CONTROL. All capital project expenditures must be appropriated in the capital budget. The Finance Division must certify the availability of resources so any appropriation can be made before a capital project contract is presented to the Council for approval.

PROGRAM PLANNING. The capital budget will be taken from capital improvement program plans for future years. The planning time must be at least five years. The replacement and maintenance for capital items should also be projected for the next five years. Future maintenance and operational costs will be considered so that these costs can be included in the operating budget.

FINANCING PROGRAMS. Where applicable, assessments, pro-rata charges, or other fees should be used to fund capital projects, which have a primary benefit to specific, identifiable property owners.

Recognizing that long-term debt is usually a more expensive financing method, alternative financing sources will be explored before debt is issued. When debt is issued, it will be used to acquire major assets with expected lives that equal or exceed the average life of the debt issue. The exceptions to this requirement are the traditional costs of marketing and issuing debt, capitalized labor for design and construction of capital projects, and small component parts which are attached to major equipment purchases.

INFRASTRUCTURE MAINTENANCE. The City recognizes that deferred maintenance increases future capital costs. Therefore, a portion of the General Fund and Utility Fund Budgets will be set aside each year to maintain the quality of the City's infrastructures.

Replacement schedules should be developed in order to anticipate the inevitable ongoing obsolescence of infrastructure.

In addition to infrastructure maintenance, the City will plan for the replacement of other assets such as vehicles and equipment by establishing replacement schedules as needed.

VIII. FINANCIAL CONDITIONS, RESERVES, AND STABILITY RATIOS

OPERATIONAL COVERAGE. The City will maintain a balanced budget whereby operating revenues will be greater than or equal to operating expenditures.

Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used only for emergencies or non-recurring expenditures, except when balances can be reduced because their levels exceed guideline minimums as stated in this policy.

OPERATING RESERVES / FUND BALANCES. The primary purpose of maintaining operating reserves is to handle unexpected decreases in revenues, plus a reasonable level for funding operations of the activities of each fund during periods of low cash flow. Based on this purpose, the unreserved General Fund balance should be maintained at a minimum of 25% of the General Fund annual operating expenditures, excluding capital outlay, since capital outlay expenditures are usually non-recurring purchases, discretionary in nature, and may fluctuate significantly from year to year. The Water & Sewer Fund should be 146 days of working capital, excluding capital outlay, and the Stormwater Utility Fund should be 91 days of working capital, excluding capital outlay.

The Tourism Fund is a special revenue fund that is primarily financed by hotel occupancy taxes. A portion of this revenue has been obligated on an annual basis for debt service payments. In addition, revenue from this fund is used to finance the ongoing operations of several tourism-related facilities and special events. In order to ensure the City is able to meet both operational and debt service obligations, the Tourism Fund should maintain an unreserved fund balance of 25% of annual operating expenses, excluding capital outlay, or the equivalent of one year of the average annual debt service requirement, whichever is greater.

The funds that flow into the City of Bedford Street Improvement Economic Development Corporation consist primarily of sales tax. A significant portion of this revenue has been obligated on an annual basis for debt service payments. In order to ensure that the City is able to meet future debt service requirements, the Corporation should maintain an unreserved fund balance equivalent to one year of the average annual debt service requirement, including related expenses.

CAPITAL AND DEBT SERVICE FUNDS. Revenues in the Debt Service Fund are stable, based exclusively on property tax revenues and transfers from other funds. Reserves in the Debt Service Fund are designed to provide funding between the date of issuance of new debt and the time that property tax levies are adjusted to reflect the additional debt.

IX. DEBT MANAGEMENT

TYPES OF DEBT. Long-term debt will not be used for operating purposes, and the life of a bond will not exceed the useful life of a project financed by that bond issue.

When appropriate, and as approved by Council Policy, self-supporting revenues will pay debt services in lieu of tax revenues.

ANALYSIS OF FINANCING ALTERNATIVES. The City will explore all financing alternatives in addition to long-term debt including leasing, grants and other aid, developer contributions, and use of reserves of current monies.

DISCLOSURE. Full disclosure will be made to bond rating agencies and other users of financial information. The City staff, with the assistance of financial advisors and bond counsel, will prepare necessary materials for presentation to rating agencies, will aid in the production of Offering Statements, and will take responsibility for the accuracy of all financial information released.

FEDERAL REQUIREMENTS. The City will maintain procedures to comply with arbitrage rebate and other Federal requirements.

DEBT STRUCTURE. The structure should approximate level debt service unless operational matters dictate otherwise, or if market conditions indicate a potential savings could result from modifying the level payment stream.

Consideration of market factors, such as the tax-exempt qualification, minimum tax alternative, and so forth will be given during the structuring of long-term debt instruments.

DEBT ISSUANCE. The City will use a competitive bidding process in the sale of bonds unless the nature of the issue warrants a negotiated bid. In situations where a competitive bidding process is not elected, the City will publicly present the reasons why and the City will participate with the financial advisor in the selection of the underwriter or direct purchaser.

X. INTERNAL CONTROLS

WRITTEN PROCEDURES. Wherever possible, written procedures will be established and maintained by the Director of Administrative Services for all functions involving cash handling and /or accounting throughout the City. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement.

DEPARTMENT DIRECTOR'S RESPONSIBILITY. Each Department Director is responsible to ensure that good internal controls are followed throughout his or her Department, that all Finance Division directives or internal controls are implemented, and that all independent auditor internal control recommendations are addressed. The Finance Division will assist Department Directors in implementing the internal control requirements and obtaining their compliance.

XI. STAFFING AND TRAINING

ADEQUATE STAFFING. Staffing levels will be maintained at an adequate level for the fiscal functions of the City to operate effectively. Overtime shall be used only to address temporary or seasonal demands that require excessive hours. Workload shedding alternatives will be explored before adding staff.

TRAINING. The City will support the continuing education efforts of all financial staff including the investment in time and materials for maintaining a current perspective concerning communicating, teaching, and sharing with other staff members all information and training materials acquired from seminars, conferences, and related education efforts.

To the fullest extent possible, written documentation of tasks and procedures will be developed and maintained as both an aid to personnel training and an element of effective management.

AWARDS, CREDENTIALS, RECOGNITION. The City will support efforts and involvements that result in meeting standards and receiving exemplary recitations on behalf of the City's fiscal policies, practices, processes, products, or personnel. The City will support participation in the Distinguished Budget Presentation Award program and the Certificate of Achievement for Excellence in Financial Reporting program sponsored by the Government Finance Officers Association of the United States and Canada.

CITY OF BEDFORD-
INVESTMENT POLICY

September 14, 2010

It is the policy of the City of Bedford, Texas, which includes the City of Bedford Street Improvement Economic Development Corporation, that after allowing for anticipated cash requirements and giving due consideration to safety, liquidity and yield, all available funds will be pooled and invested in conformance with the Investment Policy which has been developed to conform to the State of Texas, Public Funds Investment Act as amended ("PFIA"). Throughout this Investment Policy the City and Corporation shall be referred to as "BEDFORD."

In addition, applicable recommended practices published by the Government Finance Officers' Association (GFOA) have been considered to ensure that BEDFORD's investment activities are conducted within the framework of sound fiscal policy.

I. Scope

This Policy applies to all financial assets of BEDFORD and serves to satisfy the statutory requirements of the PFIA to define and approve a formal investment policy. These funds are accounted for in BEDFORD's Comprehensive Annual Financial Report and include:

- General Fund
- Enterprise Funds
- Special Revenue Funds
- Debt Service Funds - including Interest & Sinking Funds & Reserve Funds
- Capital Improvement Funds
- City of Bedford Street Improvement Economic Development Corporation Fund
- Other funds established from time to time

Except for cash in certain restricted and special funds, BEDFORD may consolidate cash and investment balances to ease cash management operations and maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

II. General Objectives.

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. Safety. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk. BEDFORD will minimize credit risk, the risk of loss due to the failure of the investment issuer or backer, by:

1) Limiting investments to the safest types.

2) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with whom BEDFORD will do business.

3) Diversifying the investment portfolio so that potential losses on individual investments will be minimized.

b. Interest Rate Risk. BEDFORD will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:

1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

2) Investing operating funds primarily in shorter-term securities, financial institution deposits, money market mutual funds, or local government investment pools.

2. Liquidity. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of investments with active secondary or resale markets (dynamic liquidity). All or a portion of the portfolio also may be placed in financial institution deposits, money market mutual funds, or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity. Investments shall not be liquidated prior to maturity with the following exceptions:

a. An investment with declining credit may be sold early to minimize loss of principal.

b. An investment swap would improve the quality, yield, or target duration in the portfolio.

c. Liquidity needs of the portfolio require that the investment be sold or redeemed.

III. Standards of Care.

1. Prudence. The standard to be used by Investment Officers shall be the "prudent person" rule, which 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 policies and procedures, and exercising due diligence, shall be relieved of personal responsibility for an individual investment's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion.

2. Ethics and Conflicts of Interest. Investment Officers shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Investment Officers shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Investment Officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of BEDFORD.

An Investment Officer who has a personal business relationship with a depository bank or with any entity seeking to sell an investment to BEDFORD shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to BEDFORD shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the City Council.

3. Delegation of Authority. Authority to manage and operate the investment program is granted to the Director of Administrative Services. The Director of Administrative Services shall establish written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. Procedures should include, but not be limited to: account management procedures, cash flow estimation procedures, investment transaction procedures, authorized dealer selection process, and investment portfolio reporting requirements. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Director of Administrative Services. The Director of Administrative Services shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of the Authorized Investment Officers and subordinate officials.

Authorized Investment Officers

City Manager
Deputy City Manager
Director of Administrative Services
Accounting Manager
Budget/Risk Manager

4. Investment Committee. There is hereby created an Investment Committee, consisting of the City Manager, Deputy City Manager, Director of Administrative Services, City Secretary, and one City Council member to be appointed by a majority of the City Council.

The Investment Committee shall meet at least quarterly to review general strategies and to

monitor portfolio performance. The Committee shall include in its deliberations such topics as:

1. Economic outlook,
2. Portfolio diversification,
3. Maturity structure,
4. Risk considerations,
5. Authorized broker/dealers,
6. Independent investment training sources, and
7. Target rate of return on the portfolio.

The Investment Committee shall provide for minutes of its meetings.

Any two members of the Committee may request a special meeting, and three members shall constitute a quorum.

The Committee shall establish its rules of procedure.

5. Investment Training. In order to ensure the quality and capability of BEDFORD's investment personnel, BEDFORD shall provide periodic training in investments through courses and seminars offered by professional organizations and associations as required by the PFIA. The training shall be conducted by independent training sources approved by the Investment Committee.

IV. Safekeeping and Custody.

1. Authorized Broker/Dealers. A list will be maintained of "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

a. Audited financial statements.

b. Proof of Financial Industry Regulatory Authority (FINRA) certification.

c. Proof of state registration.

d. Completed broker/dealer questionnaire.

e. Certification of having read, understood, and agreed to comply with the Investment Policy in compliance with the PFIA.

The Investment Committee shall review, revise, and adopt a list of authorized broker/dealers at least annually.

In order to create a competitive pricing environment for each investment transaction, BEDFORD shall solicit quotations from multiple authorized broker/dealers.

2. Internal Controls. The Director of Administrative Services is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of BEDFORD are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, within the scope of the annual audit, the Director of Administrative Services shall establish a process for an independent review by an external auditor to assure compliance with policies and procedures. The results of this compliance audit must be reported annually to the City Council. The internal controls shall address the following points:

a. Control of collusion

b. Separation of transaction authority from accounting and record keeping

c. Custodial safekeeping

d. Avoidance of physical delivery securities

e. Clear delegation of authority to subordinate staff members

f. Written confirmation of transactions for investments and wire transfers

3. Delivery vs. Payment. All trades, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

V. Suitable and Authorized Investments

1. Investment Types. The following investments will be permitted by this Policy as defined by state and local law where applicable. In the event an authorized investment loses its required minimum credit rating, all prudent measures will be taken to liquidate said investment. Additionally, BEDFORD is not required to liquidate investments that were authorized at the time of purchase.

a. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value, and exclude those prohibited by the PFIA.

b. Certificates of deposit and other evidences of deposit at a financial institution that, a) has its main office or a branch office in Texas and is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, b) is secured by obligations in a manner and amount provided by law for deposits of the City, or c) is executed through a

depository institution that has its main office or a branch office in Texas that participates in the Certificate of Deposit Account Registry Service (CDARS), or similar program, and meets the requirements of the PFIA.

c. Repurchase and reverse repurchase agreements whose underlying purchased securities consist of instruments as defined in a. above.

d. No load money market mutual funds regulated by the Securities and Exchange Commission that meet the requirements of the PFIA.

e. Local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation authorized in compliance with the PFIA.

2. Insurance, Pledged Collateral or Purchased Securities. With the exception of deposits secured with irrevocable letters of credit at 100% of amount, all deposits of BEDFORD funds with financial institutions shall be secured by pledged collateral with a market value equal to or greater than 102% of the deposits, less any amount insured by the FDIC. Repurchase agreements shall be documented by a specific agreement noting the "purchased securities" in each agreement. Collateral pledged and purchased securities shall be reviewed at least monthly to assure the market value equals or exceeds the related BEDFORD investment.

BEDFORD shall accept only the following securities as pledged collateral:

a. U. S. Treasury securities;

b. Obligations of U. S. Government Agencies and Instrumentalities, including letters of credit, which have a liquid market with a readily determinable market value, and exclude those prohibited by the PFIA;

c. Federal Deposit Insurance Corporation (FDIC) coverage;

d. Direct or unconditionally guaranteed obligations of the State of Texas;

e. States, agencies, counties, cities, or political subdivisions naturally rated "A" or higher.

All collateral shall be subject to inspection and audit by BEDFORD or BEDFORD's independent auditors.

Securities pledged as collateral shall be held by an independent third party with whom BEDFORD has a current custodial agreement. The agreement is to specify the acceptable investment securities as collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. The agreement must clearly state that the custodian bank is instructed to release purchased and collateral securities to BEDFORD in the event BEDFORD has

determined that the financial institution has failed to pay on any matured investments, or has determined that the funds of BEDFORD are in jeopardy for whatever reason, including involuntary closure or change of ownership. A clearly marked evidence of ownership must be supplied to BEDFORD and retained by BEDFORD.

3. Repurchase Agreements. Repurchase agreements shall be consistent with the PFIA and GFOA Recommended Practices on Repurchase Agreements.

VI. Investment Parameters

1. Diversification. The investments shall be diversified by:

a. Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S.Treasury securities),

b. Limiting investment in securities that have higher credit risks,

c. Investing with varying maturities, and

d. Continuously investing a portion of the portfolio in readily available funds such as financial institution deposits, local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

2. Maximum Maturities. To the extent possible, BEDFORD shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, BEDFORD will not directly invest in instruments maturing more than three (3) years from the date of purchase or in accordance with state and local statutes and ordinances. BEDFORD shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in instruments exceeding three (3) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds. The intent to invest in instruments maturing greater than three (3) years shall be disclosed in writing to the City Council.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as financial institution deposits, investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

VII. Reporting.

1. Methods. The Director of Administrative Services shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management

summary will be prepared in a manner, which will allow BEDFORD to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report shall be provided to the City Council. The report will include the information required by the PFIA, including the following:

a. Listing of individual investments held at the end of the reporting period.

b. Cost and market value of all securities (in accordance with Governmental Accounting Standards Board (GASB) requirements).

c. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.

d. Listing of investment by maturity date.

e. Percentage of the total portfolio that each type of investment represents.

f. Statement of compliance with the PFIA and this Policy.

g. Signature of all Investment Officers.

In conjunction with the annual audit, the quarterly reports shall be formally reviewed by an independent auditor, and the result of the review shall be reported to the City Council by that auditor.

2. Performance Standards. The investment portfolio will be managed in accordance with the parameters specified within this Policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis. "Weighted average yield to maturity" shall be the portfolio performance measurement standard.

3. Marking to Market. The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. The source of pricing used to calculate market value will be the values published in the financial section of the Wall Street Journal and, as necessary, a third party source with access to the pricing for securities that are not listed in the Wall Street Journal. At all times, the source of the market value of held securities should be based on sources independent from the transaction.

VIII. Policy Considerations

1. Exemption. Any investment currently held that does not meet the guidelines of this Policy shall be exempted from the requirements of this Policy. At maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

2. Annual Review and Amendments. The City Council shall annually review this Policy and

shall adopt a written instrument stating its review and recording any changes. Any changes must be approved by the Investment Committee prior to consideration by the City Council.

IX. Selection of Depositories

1. Request for Proposal Process. Primary Depositories shall be selected through BEDFORD's banking services procurement process, which shall include a formal Request for Proposal (RFP) issued in compliance with applicable State law. This contract can be extended as per the RFP specifications. In selecting primary depositories, the credit worthiness of institutions shall be considered, and the Director of Administrative Services shall conduct a comprehensive review of prospective primary depositories' credit characteristics and financial history.

2. Collateralized Deposits. All depository deposits shall be insured or collateralized in compliance with applicable State law. BEDFORD reserves the right, in its sole discretion, to accept or reject any form of insurance or collateralization pledged towards depository deposits. Financial institutions serving as BEDFORD Depositories will be required to sign a depository agreement with BEDFORD. The collateralized deposit portion of the agreement shall define BEDFORD's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- The agreement must be in writing;
- The agreement has to be executed by the Depository and BEDFORD contemporaneously with the acquisition of the asset;
- The agreement must be approved by the Board of Directors or designated committee of the Depository and a copy of the meeting minutes must be delivered to BEDFORD; and
- The agreement must be part of the Depository's "official record" continuously since its execution.

X. Investment Strategies

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

1. General, Enterprise, or Operating-type Funds

Suitability - Any investment eligible in the Investment Policy is suitable for General, Enterprise, or Operating-type Funds.

Safety of Principal - All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, managing the weighted average

days to maturity of each fund's portfolio to less than 270 days and restricting the maximum allowable maturity to two years will minimize the price volatility of the portfolio.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.

Liquidity – General, Enterprise, or Operating-type Funds require the greatest short-term liquidity of any of the fund-types. Financial institution deposits, short-term investment pools and money market mutual funds will provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification - Investment maturities should be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of BEDFORD. Diversifying the appropriate maturity structure up to the two-year maximum will reduce interest rate risk.

Yield - Attaining a competitive market yield for comparable investment -types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio will be the minimum yield objective.

2. Special Revenue Funds

Suitability - Any investment eligible in the Investment Policy is suitable for Special Revenue Funds.

Safety of Principal – All investments will be of high quality with no perceived default risk. Market price fluctuations will occur. However, by managing Special Revenue Funds to balance the short-term and long-term anticipated cash flow requirements of the specific revenue/expense plan, the market risk of the Fund's portfolio will be minimized. No stated final investment maturity shall exceed the shorter of the anticipated cash flow requirement or three years.

Marketability - Balancing short-term and long-term cash flow needs requires the short-term portion of the Funds portfolio to have securities with active and efficient secondary markets. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market. Securities with less active and efficient secondary markets are acceptable for the long-term portion of the portfolio.

Liquidity - A portion of the Special Revenue Funds are reasonably predictable. However, unanticipated needs or emergencies may arise. Selecting investment maturities that provide greater cash flow than the anticipated needs will reduce the liquidity risk of unanticipated expenditures.

Diversification - Investment maturities should blend the short-term and long-term cash flow needs to provide adequate liquidity and yield enhancement and stability. A "barbell" maturity ladder may be appropriate.

Yield - Attaining a competitive market yield for comparable investment -types and portfolio structures is the desired objective. The yield of an equally weighted, rolling six-month Treasury Bill portfolio will be the minimum yield objective.

3. Capital Improvement Funds

Suitability - Any investment eligible in the Investment Policy is suitable for Capital Improvement Funds.

Safety of Principal - All investments will be of high quality with no perceived default risk. Market price fluctuations will occur. However, by managing Capital Improvement Funds to not exceed the anticipated expenditure schedule, the market risk of the overall portfolio will be minimized. No stated final investment maturity shall exceed the shorter of the anticipated expenditure schedule or three years.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash flow requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point will define an efficient secondary market.

Liquidity - Most capital improvements programs have reasonably predictable draw down schedules. Therefore, investment maturities should generally follow the anticipated cash flow requirements. Financial institution deposits, investment pools and money market mutual funds will provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short-term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.

Diversification - Market conditions and arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds. Generally, if investment rates exceed the applicable cost of borrowing, BEDFORD is best served by locking in most investments. If the cost of borrowing cannot be exceeded, then current market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

Yield - Achieving a positive spread to the cost of borrowing is the desired objective, within the limits of the Investment Policy's risk constraints. The yield of an equally weighted, rolling six-month Treasury Bill portfolio will be the minimum yield objective for non-borrowed funds.

4. Interest and Sinking Funds

Suitability - Any investment eligible in the Investment Policy is suitable for Interest and Sinking Funds.

Safety of Principal - All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, by managing Debt Service Funds to not exceed the debt service payment schedule the market risk of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are not necessary as the event of an unanticipated cash flow requirement is not probable.

Liquidity - Debt Service Funds have predictable payment schedules. Therefore, investment maturities should not exceed the anticipated cash flow requirements. Financial institution deposits, investments pools and money market mutual funds may provide a competitive yield alternative for short-term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment. This investment structure is commonly referred to as a flexible repurchase agreement.

Diversification - Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally, if investment rates are anticipated to decrease over time, BEDFORD is best served by locking in most investments. If the interest rates are potentially rising, then investing in shorter and larger amounts may provide advantage. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Yield - Attaining a competitive market yield for comparable investment-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury Bill portfolio shall be the minimum yield objective.

5. Debt Service Reserve Funds

Suitability - Any investment eligible in the Investment Policy is suitable for Debt Service Reserve Funds. Bond resolution and loan documentation constraints and insurance company restrictions may create specific considerations in addition to the Investment Policy.

Safety of Principal - All investments shall be of high quality with no perceived default risk. Market price fluctuations will occur. However, by managing Debt Service Reserve Fund maturities to not exceed the call provisions of the borrowing will reduce the investment's market risk if BEDFORD's debt is redeemed and the Reserve Fund liquidated. No stated final investment maturity shall exceed the shorter of the final maturity of the borrowing or three years. Annual mark-to-market requirements or specific

maturity and average life limitations within the borrowing's documentation will influence the attractiveness of market risk and influence maturity extension.

Marketability - Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.

Liquidity – Debt Service Reserve Funds have no anticipated expenditures. The Funds are deposited to provide annual debt service payment protection to BEDFORD's debt holders. The funds are "returned" to BEDFORD at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of investment diversification and liquidity. Generally, if investment rates exceed the cost of borrowing, BEDFORD is best served by locking in investment maturities and reducing liquidity. If the borrowing cost cannot be exceeded, then current market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.

Diversification - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.

Yield - Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall operate within the limits of the Investment Policy's risk constraints.