READER'S GUIDE

Principal Officials
Fiscal Year 2015-2016

ELECTED

CITY COUNCIL

Roger Fisher
Place 6

Steve Farco
Place 4

Ray Champney
Place 3

Rusty Sartor
Place 1

Dr. Roy Turner
Place 5

Jim Griffin
Mayor

Dave Gebhart
Place 2

SENIOR STAFF

Roger Gibson, City Manager

Kelli Agan ..... Assistant City Manager

Clifford W. Blackwell, III, C.G.F.O. ..... Director of Administrative Services

Jeff Gibson ..... Police Chief

Kenny Overstreet ..... Interim Director of Public Works/Engineering

Jill McAdams ..... Director of Human Resources

Bill Syblon ..... Director of Development

James Tindell ..... Fire Chief

Michael Wells ..... City Secretary

BUDGET DEVELOPMENT

Meg Jakubik, C.G.F.O. ..... Strategic Services Manager

Amanda Valdez. ..... City Manager's Office Intern

CITY OF BEDFORD, TEXAS

FISCAL YEAR 2015-2016
BUDGET COVER PAGE

Pursuant to Senate Bill 656

This budget will raise more revenue from property taxes than last year's budget by an amount of $356,760, which is a 2.69% increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is $71,404.

City Council Record Vote

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

FOR:	Jim Griffin, Rusty Sartor, Ray Champney, Steve Farco, Roy Turner, Roger Fisher
AGAINST:	Dave Gebhart
PRESENT and not voting:	Not Applicable
ABSENT:	Not Applicable

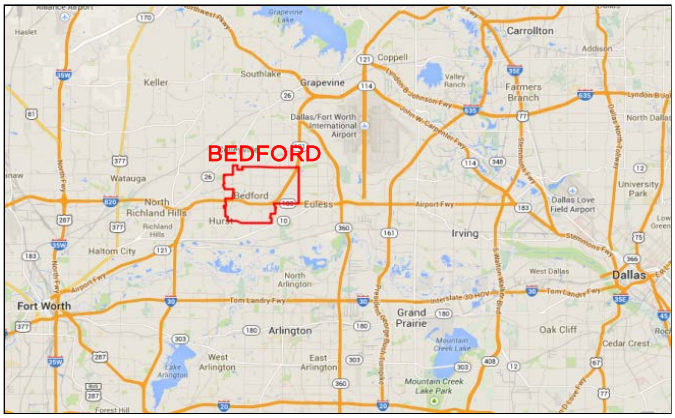
Tax Rate	FY 2015-2016	FY 2014-2015
Property Tax Rate	0.494830	0.494830
Effective Rate	0.483674	0.479538
Effective M&O Tax Rate	0.401037	0.293982
Rollback Tax Rate	0.508643	0.529670
Debt Rate	0.195498	0.204923

The total amount of municipal debt obligation secured by property taxes for the City of Bedford is $32,425,000.

CITY OF BEDFORD PROFILE

GEOGRAPHY

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.



HISTORY

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 28 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.

FORM OF GOVERNMENT

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

Currently, 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 department directors report to the City Manager's office.

CITY OF BEDFORD

DEMOGRAPHICS

LOCATION

5 mi. to DFW INTERNATIONAL AIRPORT

14 mi. to DOWNTOWN FORT WORTH

22 mi. to DOWNTOWN DALLAS
DALLAS LOVE FIELD
ALLIANCE AIRPORT

POPULATION

49,054
ESTIMATED BEDFORD
POPULATION

AGE DISTRIBUTION

0-14	15-24	25-44	45-64	65+
15.8%	11.7%	28.2%	29.1%	15.3%

MEDIAN AGE: 40.7

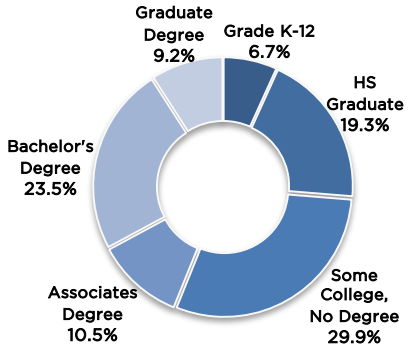
INCOME

AVERAGE HOUSEHOLD
INCOME $80,275

MEDIAN HOUSEHOLD
INCOME $61,256

EDUCATION

TOTAL POPULATION AGE 25+



HOMEOWNERS

55.6% OF
RESIDENTS ARE
HOMEOWNERS

HOME VALUE

AVERAGE VALUE
OF A SINGLE-FAMILY
RESIDENTIAL PROPERTY

$165,744

LAND USE

97% DEVELOPED
3% UNDEVELOPED

RESIDENTIAL 72%
COMMERCIAL 27%
INDUSTRIAL 1%

Top Ten Principal Employers - 2015

Employer	Employees	Percentage of Total City Employment
Texas Health Resources	1,600	5.54%
Carter Blood Care	844	2.92%
Warrentech	485	1.68%
Wal-Mart Supercenter	422	1.46%
City of Bedford	377	1.31%
The Beryl Companies	373	1.29%
State National Companies	350	1.21%
Daystar Television Network	283	0.98%
HEB ISD (Administration Office)	175	0.61%
Grubb's Nissan	133	0.46%

Sources:
Total City Employment information can be found on Texas Workforce Commission Website via http://www.tracer2.com/cgi/dataanalysis/labForceReport.asp?menuchoice=LABFORCE

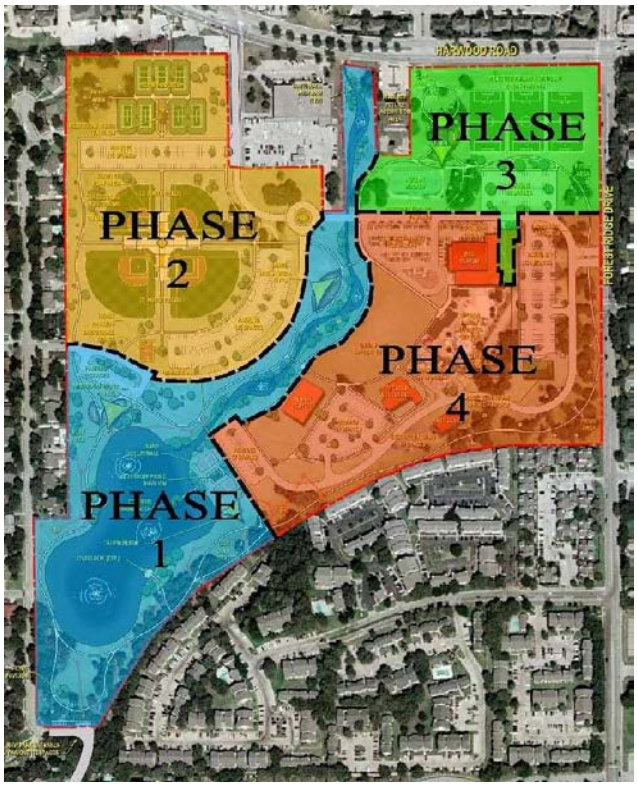
City of Bedford, Economic Development Department – Demographics data

BEDFORD BOYS RANCH MASTER PLAN
PHASE I
COVER DESCRIPTION

Starting in the 1900s, the Bedford Boys Ranch was an establishment with many purposes. It was first opened up as a home for wayward boys and was later a home for over a hundred Bedford residents during World War II. It was deemed Bedford's largest park in 1974 and has been a place the entire community and Bedford visitors have enjoyed. It is now a place where individuals can embark on outdoor adventures, such as fishing and running on the trail that surrounds the park.

The Bedford Boys Ranch Activity Center, better known as the BRAC, is located in the park and is the sole recreation center operated by the Bedford Department of Community Services. The BRAC offers a wide variety of activities for all ages. It is the home of the Splash Aquatic Center and hosts an annual summer camp for kids. Recreation offerings include basketball, yoga, and cooking classes.

In 2010, it was decided that the Bedford Boys Ranch was in need of an upgrade to better serve the citizens and visitors of Bedford. The City adopted the Bedford Boys Ranch Master Plan, which would renovate the park in four phases. The design for phase one of the master plan was completed and approved by City Council in the summer of 2012. A $100,000 grant from Texas Department of Parks and Wildlife (TPWD) was awarded to complete the phase and the City broke ground in December 2014.



The City created an Aquatic Resource Relocation Plan of Wildlife, which was approved by the TPWD, and the process of draining the lake began in August 2015. Staff from TPWD conducted two inspections of the lake to ensure there were no protected nesting migratory or native birds. No evidence of such activity was found either time. The draining of the lake began July 2015. Animal Control Officers and Park Staff supervised to ensure no wildlife, such as turtles and ducks, were harmed during the transition.

While weather has impacted the project timeline, projected completion for Phase I is early 2016. Residents and visitors will be able to enjoy an upgraded playground, new pavilions, fishing dock, frisbee golf course and walking trails.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Bedford

Texas

For the Fiscal Year Beginning

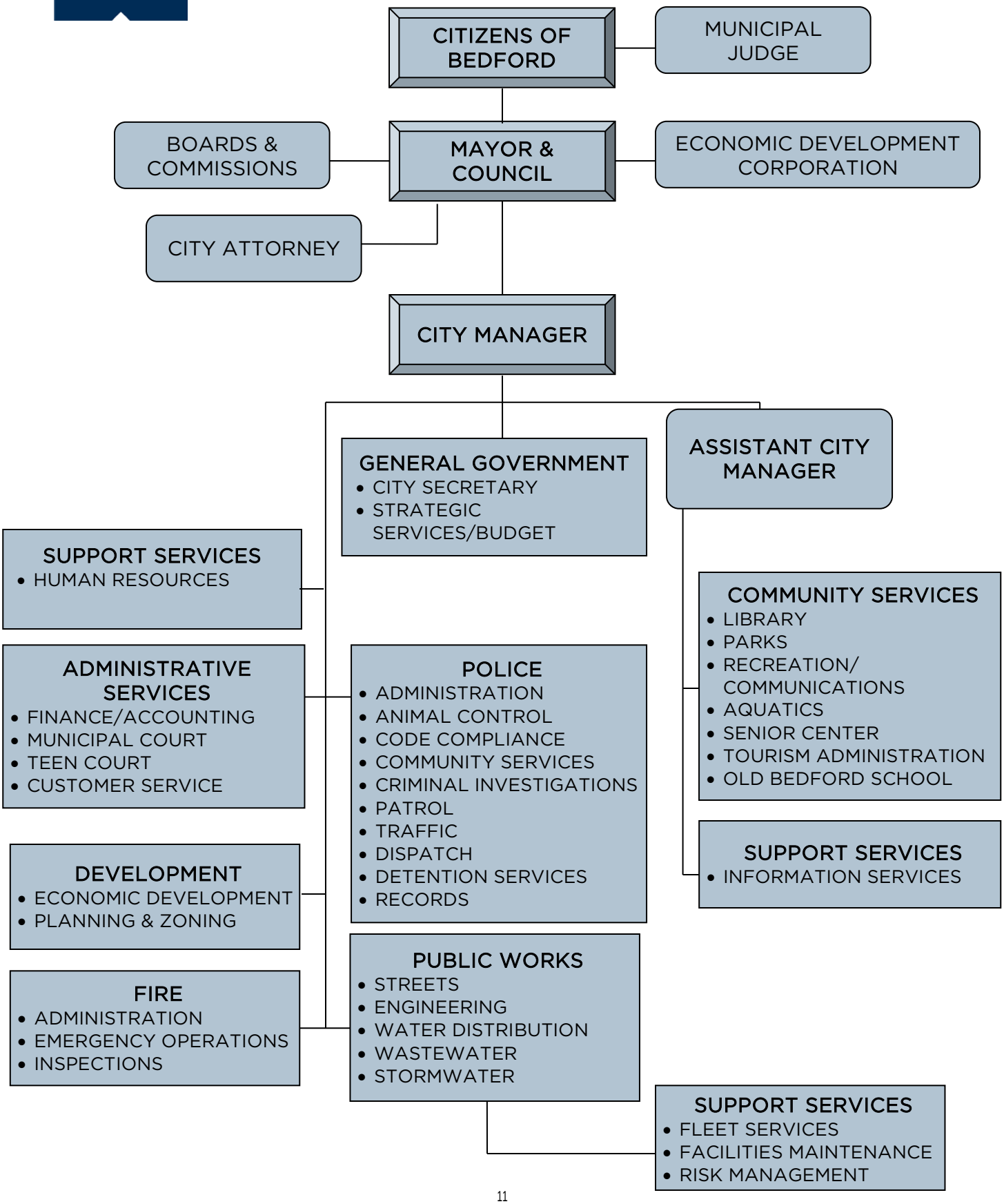
October 1, 2014

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to City of Bedford, Texas for its annual budget for fiscal year beginning October 1, 2014. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

CITY OF BEDFORD
ORGANIZATIONAL CHART



READER'S GUIDE
FY 2015-2016 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 organizational structure of the City is displayed in three ways:

1. Displaying a City-wide organizational chart in the Reader's Guide section.
2. Grouping departments by function area, located by function tab.
3. Illustrating each department/division with an organizational chart preceding each Program Summary section.
   a) Department organizational charts show the divisions with personnel and the total budgeted full-time equivalents (FTEs).
   b) Division organizational charts can be interpreted using the following key:

- Position is budgeted within the division.

- Position is part of the reporting structure, but not budgeted within the division.

Departments

Departments are traditionally the highest-level organizational units of municipal government operations. Almost everyone is familiar with departments such as Police, Fire, and Public Works. Departments are presented by functional areas of responsibility and are introduced with summary information regarding the department as a whole. In each of these sections, the activities provided by these departments are described in divisional units.

Divisions

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), Streets (Public Works), and Recreation (Community Services). Budgets are prepared at the division level. They are then combined to determine department, fund, and total city budgets. A department may be comprised of divisions from more than one fund.

Funds

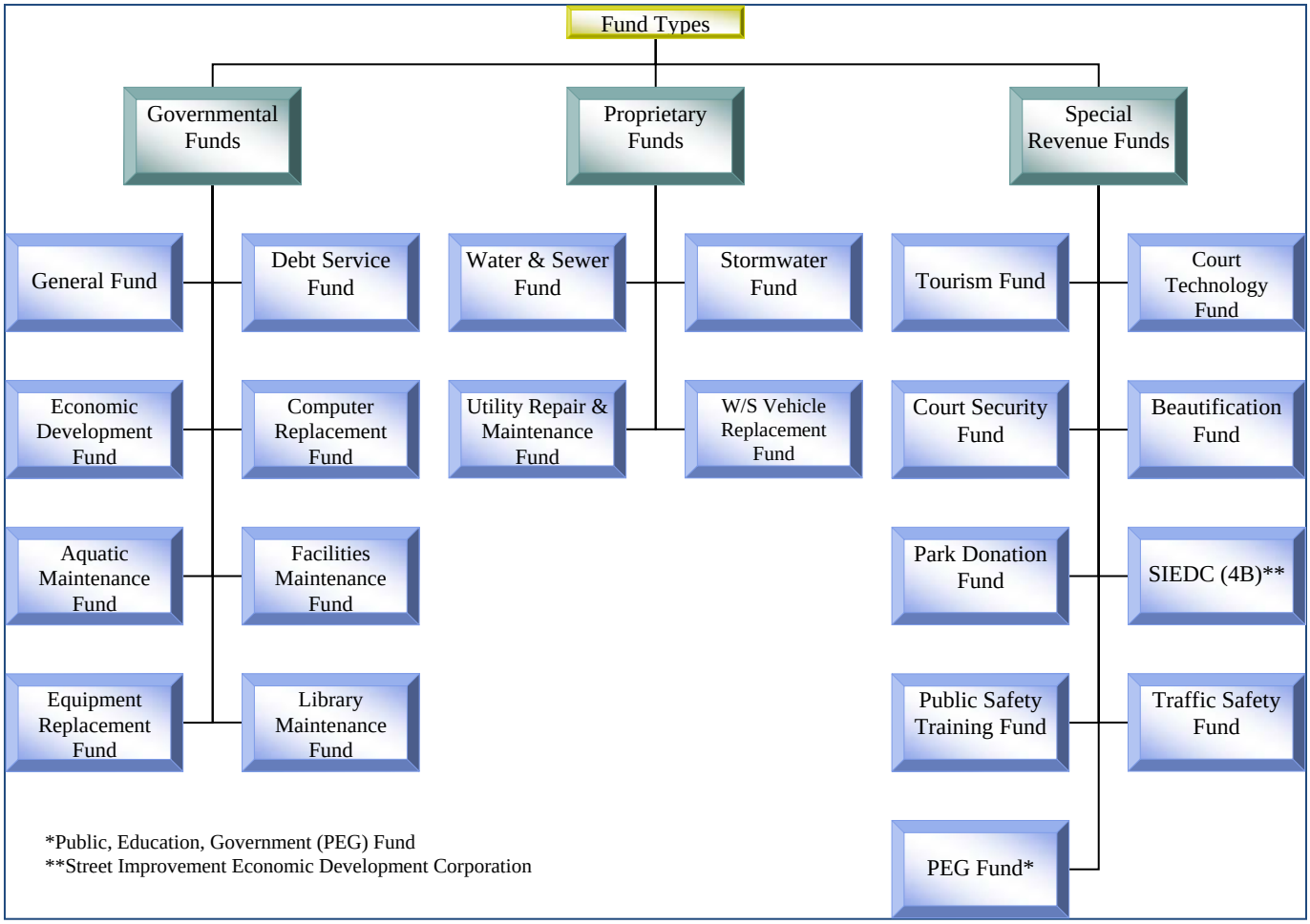
The financial structure is defined by the City's fund types. Funds are established for specific revenues and expenditures related to certain activities of the City. They are further organized into various groups to identify their purpose.

Governmental Funds- used to account for all governmental-type activities. These activities consist of all financial resources that cannot be categorized in other funds.

Proprietary Funds- account for business activities where the cost of providing services is financed primarily through user charges. These funds operate similarly to a private business.

Special Revenue Funds- while a governmental fund type, the revenue source(s) is restricted or committed to a specific purpose other than capital projects or debt service. This restriction often originates in state or federal law, such as the revenue from Hotel Occupancy Taxes in the Tourism Fund, which must be used for tourism-related facilities and special events.

The chart on the following page identifies the City's budgeted funds, organized by their fund type.



The City has additional funds that are audited, but not included in the budget. For example, the Grant Funds are not budgeted as the revenue and expenditures are considered outside everyday operations and are not an on-going, consistent revenue source. Agency Funds are excluded because assets are held by the City in a trustee capacity for other entities.

According to state law, municipal governments must maintain a balanced budget. For this purpose, the adopted budget must have proposed expenditures that are equal to or less than the proposed revenues. In compliance with the City's financial policies, a deficit of revenues to expenditures can be supplemented with the fund balance.

BASIS OF ACCOUNTING

All governmental fund types, special revenue funds 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.

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

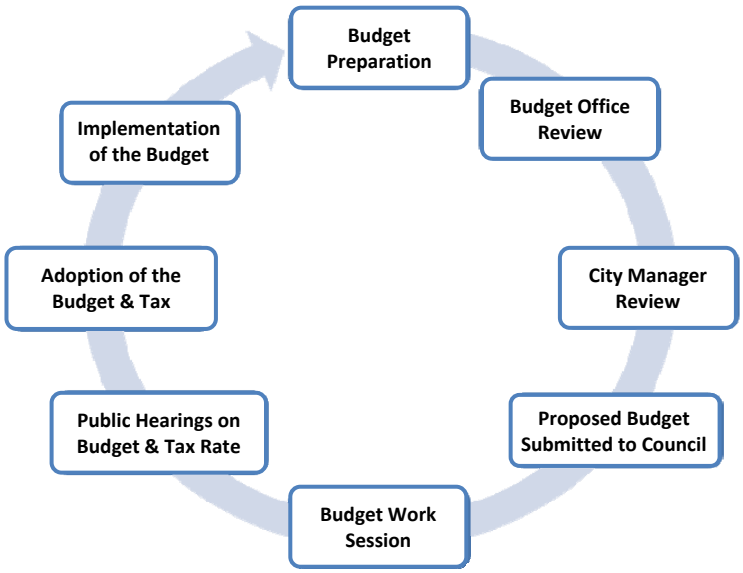
Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying 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 Stormwater 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 Governmental Accounting Standards Board (GASB) guidance.

BUDGET PROCESS

The City's fiscal year runs from October 1 through September 30. (According to the City Charter, the City Manager must present the Council with the proposed budget no later than the fifteenth day of August (Article IV, §4.02).) The proposed budget must also be filed with the City Secretary at that time. Included in this section is the budget calendar followed for this year's budget cycle.

The following diagram outlines the budget cycle in the City of Bedford.



MARCH	
Budget Preparation	During this step, departments are responsible for reviewing their individual budgets and submitting their proposals for the upcoming year. For departments that also include a citizen advisory board (i.e. Parks & Recreation), the board members have the opportunity to discuss priorities for the coming year to be taken under consideration with the budget.
Budget Office Review	Once the departments have completed their initial budgets, department representatives meet with Budget staff. The intent of these meetings is to review budget requests for clarity and supporting documentation. This is also time to ensure that requested amounts are correct and sufficient for departmental operations.
APRIL-JULY	
City Manager Review	The next step is the review of the preliminary budget requests by the City Manager. The City Manager meets with departments individually to review their operating budgets and supplemental requests.
AUGUST	
Proposed Budget Submitted to Council	The proposed budget must be submitted to the Council no later than the fifteenth day of August, but is actually submitted at a time that will allow enough time to review prior to the scheduled work sessions. At the time of submission, a copy is made available through the City Secretary's Office, at the library, and on the City's website for public review.
Budget Work Session	This is the first public meeting that the City Council has to hear presentations from the staff and discuss the proposed budget and the corresponding tax rate. The Budget Work Session is generally held at the beginning of August and allows for a thorough presentation of the budget. It also allows the Council to discuss supplemental requests and form a consensus on what to fund in the upcoming budget.
Public Hearings on Budget & Tax Rate	The City is required to hold one public hearing on the budget. During the public hearing, the public is invited to share their comments on the proposed budget. In addition, if the maximum tax rate being considered is higher than the effective rate, the City must hold two public hearings to solicit comments on the tax rate.
SEPTEMBER	
Adoption of the Budget & Tax Rate	After deliberation and listening to citizen input via the public hearings, the proposed budget is finalized through adoption of a budget ordinance by the City Council. Once approved, the budget becomes the policy of the City Council and provides the appropriations to fund City operations for the upcoming fiscal year. Additionally, the budget ordinance sets the tax rate that is being used to fund the approved budget. If that rate will result in an increase in overall property tax revenue, the City Council must separately ratify the tax rate, acknowledging the revenue increase.
OCTOBER	
Implementation of the Budget	This step commences with the beginning of the fiscal year. It is the operational plan for the City during the fiscal year. It is the responsibility of the City Manager to ensure compliance with the approved budget and each department must assist by ensuring their expenditures are in line with budgeted amounts. The City Manager may approve the reallocation of funds within and between departments as long as the grand total is not affected. Additionally, the budget can be amended through procedures outlined in the City Charter by a majority vote of the City Council.

DEPARTMENTAL BUDGET SECTIONS

Organizational Charts

Each department has an organizational chart outlining the divisions that are accounted for within that area. These charts summarize the total Full Time Equivalents (FTEs) that are budgeted within each division. Further charts show the divisional organization, with the reporting structure by title.

Program Summary

The Program Summary contains detailed information on the division, including 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 projection and proposed upcoming year.

City of Bedford
Program Summary
FY 2015-2016

Fund: General
Department: Community Services Division: Recreation

The Program Description includes information on each division including: services provided, customers served, major programs and initiatives.

PROGRAM DESCRIPTION

The Recreation Division provides high-quality recreational opportunities. This is accomplished through the oversight and management of the Boys Ranch Activity Center and Aquatics facilities, planning and execution of center-based special events, and provision of classes, programs and fitness activities.

In addition, the Recreation Division includes the communications function for the City of Bedford. Communications focuses on g other departments with promoting their programs and activities. This is accomplished collateral materials, maintenance of City websites and production of the Bedford Connection

The Highlights section includes information on major projects and accomplishments achieved by the division during the previous fiscal year.

FY 2014-2015 HIGHLIGHTS

* Hosted day camp and other camp programs that resulted in over 2,202 registrations.
* Continued to increase exposure to the community by utilizing the Recreation outreach vehicle at various special events.
* The Boys Ranch Activity Center and Bedford Splash had 79,562 people in attendance at the various programs offered over the year.
* Increased the capacity of summer day camp which resulted in additional $11,700 in revenue.

FY 2015-2016 DIVISIONAL GOALS (AS RELATED TO COUNCIL MISSION)

The Divisional Goals section includes the goals and objectives the division aims to achieve for the upcoming fiscal year as related to the Council Mission areas.

Be responsive to the needs of the community.
* Continue to increase engagement through outreach to community members in order to be more conso needs.
* Collaborate with various community organizations to cross-promote events and programs.

Demonstrate excellent customer service in an efficient manner.
* Continue to educate participants about bedfordfun.com, on-line registration and facility booking optio Boys Ranch Activity Center.
* Enhance brand awareness of the Parks, Recreation, Senior Center, and Aquatics Divisions.

Provide for a safe and friendly community environment.
* Continue to provide a safe and friendly community environment by offering programs such as Fun Time Live and expand the current staff training program.

Foster economic growth.
* Continue to provide a wide variety of excellent programs and services to attract new people and businesses.

Protect the vitality of neighborhoods.
* Improving the quality of life in the City of Bedford by providing premium recreation programs and services that meet the needs of members and citizens alike.

Encourage citizen involvement.
* Encourage collaboration between the Parks and Recreation Advisory Board, Cultural Commission and Beautification Commission as a means to increase citizen involvement with City and Department of Community Services events and programs.

Support and develop arts and culture in Bedford.
* Expand on the commitment of supporting the arts and cultural community by incorporating them into programs and special events offered at the Boys Ranch Activity Center.

Fund: General

Department: Community Services

Division: Recreation

The Expenditure Summary provides a historical overview of expenditures.

EXPENDITURE SUMMARY

	ACTUAL 12/13	ACTUAL 13/14	BUDGET 14/15	PROJECTED 14/15	15/16
Personnel Services	$539,454	$581,292	$596,887	$675,735	$462,953
Supplies	70,453	74,046	76,770	79,440	87,320
Maintenance	2,024	5,226	8,200	7,685	7,200
Contractual Services	78,936	68,607	76,570	76,016	111,089
Utilities	47,357	46,776	48,800	37,526	48,800
Sundry	-	-	-	-	-
Capital Outlay	-	9,351	-	-	-
TOTAL:	$738,224	$785,298	$807,227	$876,402	$717,362

The Personnel Summary only includes positions that are funded in the budget; it does not include authorized positions that are frozen with no funding.

PERSONNEL SUMMARY

*ositions (including frozen) can	ACTUAL 12/13	ACTUAL 13/14	BUDGET 14/15	PROJECTED 14/15	BUDGET 15/16
	1.00	1.00	1.00	1.00	0.00
	0.00	0.00	1.00	1.00	1.00
	1.00	1.00	0.00	0.00	0.00
	1.00	1.00	1.00	1.00	1.00
Athletics / Aquatics Coordinator	1.00	1.00	1.00	1.00	1.00
Recreation Coordinator	1.00	1.00	1.00	1.00	1.00
Parks/Recreation/Special Events Assistant	1.00	1.00	1.00	1.00	0.00
Customer Service Associate	3.43	3.43	3.43	3.43	3.43
Day Camp Coordinator - Seasonal	0.60	0.60	0.60	0.60	0.60
Day Camp Leader - Seasonal	1.98	2.80	2.80	2.80	2.80
*TOTAL:	12.01	12.83	12.83	12.83	10.83

The Significant Changes section includes information on major changes to the division budget from the prior year.

SIGNIFICANT CHANGES

The Performance Measures section displays the performance criteria used by the division to measure their activities over the year. This area shows a two year history, with projected numbers for the previous fiscal year and targets for the adopted budget.

Fund: General

Department: Community Services

Division: Recreation

PERFORMANCE MEASURES

Indicator	2013-14 ACTUAL	2014-15 PROJECTED	2015-16 TARGET
INPUTS			
OUTPUTS			
EFFICIENCY			
EFFECTIVENESS & OUTCOMES			

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, including the bond program known as Bedford 2005. The second section includes a budget recommendation from the City of Bedford Street Improvement Economic Development Corporation (4B). The purpose of the Corporation, created during the FY 1997-98 fiscal year, is to administer the funding provided by the one-half of 1% sales tax for street improvements as they relate to the City's economic development program.

SUPPLEMENTAL INFORMATION

This section provides statistical data on the City's tax rate, property values, revenue and expenditures over time. Readers can find information here about the principal taxpayers and the actual impact of the tax rate. Additionally, information can be located regarding the legal debt margin as required by the Texas Constitution.

COMMENTS

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

City Manager's Office
Attn: Meg Jakubik
City of Bedford
2000 Forest Ridge Drive
Bedford, Texas 76021

OR

Phone: (817) 952-2117
FAX: (817) 952-2103
E-mail: megan.jakubik@bedfordtx.gov

OPERATING BUDGET CALENDAR
2015-2016

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
March 6	Friday	Staff Operating Budget Kick-off Position Control Verification distributed to Departments Organizational Charts Distributed to Departments
April 2	Thursday	Position Control Verification forms due to Budget Office Organizational Charts w/FTEs listed due to Budget Office
April 17	Friday	Completed Budgets and Line Item Detail due to Budget Office Supplemental Funding Requests & Reclassifications due to Budget Office
4/27-5/1	Mon-Friday	Individual Department Budget Meetings with Budget Office **(Discuss Line Item Detail)**
May 8	Friday	Final Budget Drafts due to Budget Office
May 13	**Wednesday**	**Copy of Proposed Budget to City Manager**
May 15	**Friday**	**Preliminary Appraisal Roll from Tarrant Appraisal District**

May 25	Monday	*Memorial Day	
5/27 – 5/29	Wed-Friday	Individual Department Budget Meetings with City Manager	
6/4 - 6/5	Thur-Friday	Individual Department Budget Meetings with City Manager	
June 12	Friday	Departmental Projections (Rev/Exp) due to Budget Office	
July 4	Saturday	Bedford Fourth Fest	
July 6	Monday	*July 4th Holiday	
July 10	Friday	Updated Departmental Projections (Rev/Exp) due to Budget Office	
July 14	Tuesday	Updated Financial Projections for FY2015 due to City Manager	
July 17	Friday	Budget Exceptions for FY2015 due to Budget Office	
July 24	Friday	July Certified Tax Roll from Tarrant Appraisal District Budget Exception Report for FY2015 due to City Manager	
July 31	**Friday**	**Budget filed w/ City Secretary and given to City Council**	*Sec 4.02 Charter *Sec. 102.005 LGC
August 7	**Friday**	**Council Budget Work Session – Meeting Room @ LEC**	
August 11	Tuesday	Council to take record vote and set two public hearing dates	*Sec. 102.006 LGC
August 17	Monday	Publish "Notice of Proposed Property Tax Rate"	*Ch. 140.010 LGC
August 24	Monday	*First day of classes for HEB Independent School District	
August 25	Tuesday	Public Hearing on **Budget** and **Tax Rate** (if necessary)	*Ch. 26.06 Tax Code *Sec. 4.06 Charter
Sept 1	Tuesday	Second Public Hearing on **Tax Rate** (if necessary)	*Ch. 26.06 Tax Code
9/4 - 9/6	Fri-Sunday	Bedford Blues & BBQ Festival	
Sept 7	Monday	*Labor Day	
Sept 8	**Tuesday**	Approve Budget Ordinance & Tax Rate	

Performance Measure Program

The City Council of Bedford, Texas has adopted the following Vision and Mission statement to ensure that City activities are guided by these principles. These were most recently reviewed and updated in March 2014.

Vision: To be a quality residential community balanced with an environment for planned economic vitality.

Mission: Be responsive to the needs of the community.
Demonstrate excellent customer service in an efficient manner.
Provide for a safe and friendly community environment.
Foster economic growth.
Protect the vitality of neighborhoods.
Encourage citizen involvement.
Support and develop arts and culture in Bedford.

During the budget process for Fiscal Year 2014/2015, departments conducted a thorough review and update of their divisional goals and performance measures. For each division that includes personnel, departments formulated their goals for the year categorized by the Council mission area they support.

For each goal or objective listed, the division was also required to have an associated performance measure. These are reviewed annually during the budget process to ensure they remain a beneficial metric for assessing the division's performance. Performance measures have been categorized by the following types:

- **Inputs**: A type of performance measure reporting the resources used by a department or division to produce outputs and outcomes. Examples include: number of full time equivalents, equipment, facilities and supplies.
- **Outputs**: A type of performance measure reporting the number of units provided, the amount of services provided or the number of people served by a department or division.
- **Efficiency**: A type of performance measure relating inputs to outputs to express efficiency measures as costs per unit of output and/or productivity per labor hour.
- **Effectiveness & Outcomes**: A type of performance measure relating to customer/client/public satisfaction with quality, timeliness or other aspects of the service or product delivered or a type of performance measure which addresses strategic results and gauges the effectiveness of services or programs, shows the extent to which goals, outcomes or objectives have been achieved and/or what has changed or been accomplished as a result of the service.

For performance measures that were previously monitored by the departments, that historical data has been included. New measures have been identified with an "N/A" in the reporting columns.

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.

INCENTIVE COST FUNDING. The Operations & Maintenance (O&M) property tax revenues generated from new construction taxable values added to the July Certified Roll each year, will be transferred to the Economic Development Fund for economic incentives.

In addition, the General Fund will budget ninety-nine (99) percent of sales tax revenues each year to help cover the cost of its general operations and transfer one (1) percent of the sales tax revenues to the Economic Development Fund for economic incentives.

Moreover, on an annual basis, the City will review the variance between actual General Fund revenues and expenditures. Should the variance equate to $100,000 or more in excess of expenditures, fifty (50) percent of the total variance shall be transferred to the Economic Development Fund, provided the General Fund's unassigned fund balance has met the minimum reserve requirement of 20% of budgeted expenditures.

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. Non-recurring revenues may be allocated to a specific fund(s) with the approval of the City Council.

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.

FUND BALANCE POLICY. The primary purpose of this policy is to establish guidelines for fund balance levels with the City of Bedford's governmental and proprietary funds. It is essential for the City to maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue shortfalls, unanticipated expenditures, or any other adverse circumstances. In addition, it also designed to provide the appropriate amount of working capital for the City's general operations.

DEFINITIONS:

Fund Balance. The difference between a governmental fund's assets and liabilities, divided into 5 categories: 1) Nonspendable, 2) Restricted, 3) Committed, 4) Assigned, 5) Unassigned

Nonspendable. That portion of the fund balance that is legally or contractually required to be maintained intact. In addition, nonspendable also means that portion is not expected to be converted to cash, i.e. inventories, prepaids, long-term receivables.

Restricted. That portion of the fund balance that is constrained for a specific purpose by external resource providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

Committed. That portion of the fund balance that is constrained by a formal action of the government's highest level of decision making authority, the City Council. These constraints can only be removed or changed by taking the same type of action employed to commit these amounts.

Assigned. That portion of the fund balance not 'restricted' or 'committed' that has a specific purpose expressed by the governing body or a body/official to which the governing body delegates authority. Only resources in other governmental funds can be assigned. The General Fund cannot assign its fund balance.

Unassigned. A residual amount for the General Fund that is not classified in any of the other 4 categories and is available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

Enabling Legislation. Authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose.

General Fund. A fund that accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Fund. A fund whose revenue source(s) is restricted or committed to a specific purpose other than capital projects or debt service. Usually has one or more revenue resources that is not a transfer from another fund. 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.

Capital Projects Fund. A fund that accounts for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Debt Service Fund. A fund that accounts for all financial resources that are restricted, committed, or assigned to expenditures for principal and interest of debt obligations.

Enterprise Fund. A fund that accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost of providing goods or services to general public on a continuing basis be financed or recovered primarily through users charges.

Permanent Fund. Funds to account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City of Bedford's programs that are for the benefit of the city and/or its citizens.

Working Capital. The measurement of the operating liquidity of an enterprise fund by subtracting the current liabilities from the current assets.

PRIORITY OF FUND BALANCE CATEGORIES:

In lieu of a policy for unrestricted fund balance, funds that are constrained in the remaining categories will be used in the order of: 1) committed, 2) assigned, 3) unassigned. Therefore, when multiple categories of fund balance are available for expenditure (i.e. a construction project funded partly by 1) a grant, 2) funds set aside by the City Council, & 3) unassigned funds), the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally, this would result in the use of restricted, then committed, then assigned, and lastly unassigned fund balance.

COMMITTED FUND BALANCE AUTHORITY:

The City Council is the City's highest level of decision making authority and the formal action that is required to approve, modify, or remove a fund balance commitment is an ordinance adopted by the City Council. The ordinance must adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period. A committed fund balance should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.

ASSIGNED FUND BALANCE AUTHORITY:

The City Council authorizes the City Manager or his/her designee as the official authorized person to assign fund balance to a specific purpose approved by this policy. The specific purpose of an assigned fund balance can include, but is not limited to, an appropriation of existing fund balance to eliminate a projected deficit in the subsequent year's budget in an amount not to exceed the projected excess of expenditures over revenues. Additionally, the assigned fund balance will include remaining amounts that are reported in the governmental funds (aside from the General Fund), except negative amounts. Assignments in the General Fund are amounts that are intended to be used for a specific purpose that is narrower than the general purpose of the government itself. And, governments cannot assign an amount to a specific purpose if it would cause a deficit in the unassigned fund balance.

MINIMUM UNASSIGNED FUND BALANCE:

It is the goal of the City of Bedford to achieve and maintain an unassigned fund balance in the general fund equal to **20**% of budgeted expenditures for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances. The fund balance level, however, may be reduced to the equivalent of **15**% of budgeted expenditures in unusual financial circumstances, as determined by the City Council.

Moreover, if such a situation occurs, the City will implement necessary corrective action, in which the City Manager will submit a plan to restore the unassigned fund balance to the equivalent of **20**% of budgeted expenditures as soon as economic conditions allow. These steps include, but are not limited to, identifying, nonrecurring, or alternative sources of revenue, increasing existing revenues, charges and/or fees: use of year-end surpluses; enacting cost saving measures such as holding capital purchases, reducing departmental operating budgets, freezing vacant positions, and/or reducing the workforce. The time period to replenish the fund balance shall be defined within the City Manager's plan submittal.

Moreover, in accordance with GASB 54 standards, all special revenue funds will have an assigned fund balance; however, the Tourism Fund will maintain its goal based on the greater of 20% of operating expenditures less capital outlays or an average annual debt service requirement.. In addition, the funds that flow into the City of Bedford Street Improvement Economic Development Corporation consist primarily of sales tax. And a significant portion of this revenue has been obligated on an annual basis for debt service payments. Therefore, in

order to ensure that the City is able to meet future debt service requirements, the Corporation should maintain an assigned fund balance equivalent to one year of the average annual debt service requirement, including related expenses.

NON-GOVERNMENTAL FUND BALANCE:

The fund balance categories discussed above do not apply to proprietary funds according to GASB 54. Although it is not required by GASB, the City of Bedford recognizes the need for a minimum working capital policy for the proprietary funds maintained by the City, such as the Water and Sewer Fund and Stormwater Fund. Therefore, the Water and Sewer Fund shall maintain its goal of a working capital amount equivalent to **90** days of operational expenses excluding capital outlays. And the Stormwater Fund shall maintain its goal of a working capital amount equivalent to **90** days of operational expenses excluding capital outlays. If the working capital falls below the desired level, the City will implement the necessary corrective action, in which the City Manager or designee will submit a plan to restore its working capital to the desired level within the time period specified in the plan. These steps include, but are not limited to, enacting cost saving measures; increasing user charges; holding capital purchases; freezing positions; and/or reducing the workforce.

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. Vacuum actuator

CITY OF BEDFORD -
INVESTMENT POLICY

September 8, 2015

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.

4) Establishment of procedures to monitor rating changes of investments and the liquidation of such investments as required by the PFIA.

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 broker/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
Assistant City Manager
Director of Administrative Services
Accounting Manager

4. Investment Committee. There is hereby created an Investment Committee, consisting of the City Manager, Assistant City Manager, Director of Administrative Services, Accounting Manager, 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 Investment Officers shall attend at least one training session accumulating at least ten (10) hours relating to the Officer's responsibility under the Act within twelve (12) months after assuming duties, and thereafter, attend investment training session(s) not less than once every two years (aligned with the City's fiscal year end), receiving an additional eight (8) hours of training. The training shall be conducted by independent training sources approved by the Investment Committee.

IV. Broker/Dealers, Internal Controls and DVP.

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 investment providers, 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.

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 versus Payment. All trades, where applicable, will be executed by delivery versus 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 safekeeping agent 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. 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 (including obligations of the FDIC), 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 BEDFORD,

or c) is placed through the Certificate of Deposit Account Registry Service (CDARS), or similar program, in a manner that meets the requirements of the PFIA.

c. Repurchase and reverse repurchase agreements whose underlying purchased securities consist of instruments as defined in a. above and placed in compliance with the PFIA.

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; such securities shall comply with the PFIA. 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 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 PFCA;

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

d. 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 the pledge and legal 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 (where appropriate),

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.

3. Competitive Environment. In order to create a competitive pricing environment for each investment transaction, including certificates of deposit, BEDFORD shall solicit quotations from multiple providers.

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 comply with the requirements of the PFIA.

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. Market Valuation. 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 recognized sources independent from the transaction.

4. Credit Rating. Not less than quarterly, the Investment Officers will monitor the credit rating for each held investment that has a PFIA required minimum rating. Any Authorized Investment that requires a minimum rating does not qualify during the period the investment does not have the minimum rating. Prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

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 Application Process. Primary Depositories shall be selected through BEDFORD's banking services procurement process, which shall include a formal Request for Application (RFA) issued in compliance with applicable State law (Chapter 105, State of Texas Local Government Code). This contract can be extended as per the RFA

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:

a. The agreement must be in writing;

b. The agreement has to be executed by the Depository and BEDFORD contemporaneously with the acquisition of the asset;

c. 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

d. 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. Debt Service/ 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.