



## AGENDA ITEM SUMMARY

<b>Agenda Date</b>	April 8, 2025
<b>Requested Action</b>	APPROVE RESOLUTION NO. 2025-R23; A RESOLUTION ADOPTING REVISIONS TO THE FINANCIAL MANAGEMENT POLICY TO ALIGN WITH BEST PRACTICES, REGULATORY REQUIREMENTS, AND NEWLY ADOPTED PROCUREMENT POLICIES.
<b>Contact Person</b>	Sarah Buckelew, Finance Director
<b>Background Information</b>	<p>The City of Boerne is committed to achieving fiscal excellence and maintaining best-in-class financial management practices, which include a regular review of financial policies. During the March 25, 2025, council meeting, a stand-alone procurement policy and purchase card policy were adopted. With those adoptions, the City's overall financial management policy required a review to ensure its consistency with the new policies. In addition to the review due to the adoption of the new policies, the Financial Management Policy was reviewed for any other required updates for consistency with the Investment Policy, Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB), Local Government Code, and Home Rule Charter.</p> <p>The following updates are being proposed and are shown in a redlined version of this attachment.</p> <ol style="list-style-type: none"><li>1. <u>Updates made as a result of implementing a stand-alone procurement Policy:</u><ul style="list-style-type: none"><li>• <u>Section VB:</u> Updated to reference the new stand-alone policy and state the city's compliance with the new policy and adherence to purchasing laws.</li></ul></li><li>2. The Finance Department conducted a comparison of the Home Rule Charter, Local Government Code, Investment Policy, and GAAP/GASB pronouncements for consistent wording with the Financial Management Policy. The following updates are recommended as a result of that review:<ul style="list-style-type: none"><li>• <u>Sections throughout:</u> The term "fixed asset" has been replaced with "capital asset" to</li></ul></li></ol>

	<p>align with GASB terminology, specifically GASB Statement No. 34.</p> <ul style="list-style-type: none"> <li>• <u>Section I (Governmental Funds):</u> Noted that two existing fund types within the City's Annual Comprehensive Report were not listed and added them for consistency under GASB 34. <ul style="list-style-type: none"> <li>○ <u>Permanent Fund:</u> the City's Cemetery Trust Fund that holds endowment funds that are legally held in trust to provide for the upkeep of the Cemetery.</li> <li>○ <u>Blended Component Unit Fund:</u> Boerne Public Facility Corporation Fund that holds the funds for the nonprofit public facility corporation organized exclusively for the purpose of assisting the City in financing, refinancing, or providing public facilities within the City.</li> </ul> </li> <li>• <u>Section II (Basis of Accounting)</u> Updated recognition standard to align with GASB 33 including reference citation stating that grants are considered revenue when "eligibility requirements are met or resources are received (whichever is first)".</li> <li>• <u>Section III A – Operating Budget (Preparation)</u> Removes wording that certain budget requirements are required under the Home Rule Charter, as this section of the Home Rule Charter was repealed by voters November 3, 2020. Specifics regarding the notice of public hearing were repealed from the Home Rule Charter by voters on November 3, 2020. These specifics are mandated by law, and therefore a reference citation was added to the requirements under Texas Local Government Code Section 102.</li> <li>• <u>Section III A (a-i)– Operating Budget (Preparation)</u> Clerical corrections for capitalization for consistency within the section.</li> <li>• <u>Section III C – Operating Budget (Adoption)</u> Removed specific deadline listed in the policy, as this is dictated by law. Instead referenced the requirement under Local Government Code Section 102.</li> <li>• <u>Section III H – Operating Budget (Adoption)</u> Added cross reference in policy for budget shortfall contingency procedures at Section VI.</li> <li>• <u>Section III J – Operating Budget (Encumbrances)</u> This section has been reworded to align with the Home Rule Charter Section 6.06 "Lapse of Appropriations".</li> <li>• <u>Section IV(b)7 (Intergovernmental Revenues)</u> Section title was changed from "Intergovernmental Revenues" to "Grant Revenues" as this section is only applicable to Grant Revenues, and not all forms of intergovernmental revenues.</li> </ul>
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	<ul style="list-style-type: none"> <li>• <u>Section V B – Expenditure Policies (Purchasing)</u> Reference added to newly adopted Procurement Policy and review requirements.</li> <li>• <u>Section VI Budget Contingency Plan</u> Reference citation and brief explanation that this section refers to Home Rule Charter Section 6.04C “Reduction of Appropriations”. <ul style="list-style-type: none"> <li>○ Cross Reference added within Section III (H) Basis of Accounting and Budgeting as these two sections are related.</li> </ul> </li> <li>• <u>Section VIII (B)(2) Capital Maintenance and Replacement (Information Technology)</u> The current wording stated that “every effort is used to” utilize older computers elsewhere in the City. This has been clarified to state “if it is determined by the IT Director to be beneficial”, as older computers may no longer support security technology necessary to protect the City.</li> <li>• <u>Section IX. Accounting, Auditing, and Financial Reporting (External Reporting)</u> The term “Comprehensive Financial Report” (CAFR) has been replaced with “Annual Comprehensive Financial Report” (ACFR) for consistency with GASB terminology implemented under GASB Statement No. 98.</li> </ul> <p>Recommended Updates for consistency with equipment and vehicle replacement programs:</p> <ul style="list-style-type: none"> <li>• <u>Section VIII(B)(1). Capital Maintenance and Replacement (Vehicle and Equipment Maintenance and Replacement Funds)</u> The City is in a current program with Enterprise Fleet Management that includes rolling the proceeds from sold vehicles upon lease conclusion towards the purchase of future vehicles in the program. Clarification was added to align with the existing program, and to state that there is a separate vehicle replacement fund and equipment replacement fund. These are being managed within the “assigned” fund balance of the General Fund, however the Finance Department is recommending stand-alone funds as part of this policy clarification for ease of administrative burden. Creation of these two funds will be brought forward as a separate council agenda item and be added to the listing of funds in Section 1 of the policy.</li> <li>• <u>Section X (A) 1-5 Cash Management and Investments</u> Sections 1-5 are redundant to the stand-alone investment policy that is reviewed and approved annually and were therefore removed.</li> <li>• <u>Section X (B)(1) Capital Assets</u></li> </ul>
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	<p>Useful life was updated from 2 to 3 years, as under GASB 34 there are no capital assets with useful lives less than 3 years.</p> <ul style="list-style-type: none"> <li> <p><u>Section X (B)(4) Contributed Capital</u></p> <p>Terminology was updated from “Equity Contributions” to “Capital Contributions” in alignment with ACFR presentational requirements and clarified to add that they are recorded at fair market value in compliance GASB Statement No. 72. Additionally, a section was added to clarify that asset infrastructure contributions will be accounted for separately from cash contributions for purposes of cash-flow reporting. This is to enable the more expedient preparation of the cash flow statement.</p> </li> <li> <p><u>Section X (B) 7 – New section added for Intangible Assets</u></p> <p>A section did not exist regarding intangible assets, which the City does have in the form of right-of-way easements. The policy around recognition of such assets was added.</p> </li> <li> <p><u>Section X (B) 8 – New section added for Lease Assets</u></p> <p>A section did not exist regarding lease assets, which the City does have in the form of equipment. The policy around recognition of such assets was added.</p> </li> <li> <p><u>Section X (B) 9 – New section added for Subscription-Based Information Technology Arrangements (SBITAs)</u></p> <p>A section did not exist regarding SBITAs, which the City does have. The policy around recognition of such arrangements was added.</p> </li> </ul> <p>3. Other Updates:</p> <ul style="list-style-type: none"> <li>Added a cover page with Standard Policy Header and Table of Contents.</li> <li> <p><u>Section XIII Fund Balance Policy (General Fund)</u></p> <p>Updated terminology and added a policy section for the Net Position policy to clearly differentiate between GASB 63 (Net Position) versus GASB 54 (Fund Balance).</p> </li> <li> <p><u>XV. Staffing Pay for Performance (Merit)</u></p> <p>Update wording from “performance that exceeds expectations” to “based on performance”, as there is now a 5-point scale that is utilized, and merit is only paid out on a sliding scale depending on merit score.</p> </li> <li>Changing the verbiage of “Equity” throughout the document to correct verbiage that aligns with GAAP and GASB terminology (i.e. fund balance, etc.).</li> </ul> <p>This initiative aligns with the City of Boerne’s Strategic Plan and supports long-term financial sustainability. Staff recommends approval of the resolution to adopt the revisions made to the Financial</p>
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	Management Policy.
<b>Strategic Alignment</b>	F1: Commitment to strategic, responsible, and conservative financial management. Fiscal Excellence
<b>Financial Considerations</b>	N/A
<b>Citizen Input/Board Review</b>	N/A
<b>Legal Review</b>	Proposed policy updates have been reviewed by legal
<b>Alternative Options</b>	N/A
<b>Supporting Documents</b>	Resolution No. 2025-R23 Financial Management Policy draft with redlined proposed updates.