

RESOLUTION NO. 19-2019

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS, ADOPTING A CAPITAL EXPENDITURES AND IMPROVEMENTS POLICY; AND DECLARING AN EFFECTIVE DATE THEREOF.

WHEREAS, the City Council of the City of Mesquite, Texas (“City Council”) recognizes that effective cash management is essential to good fiscal management; and

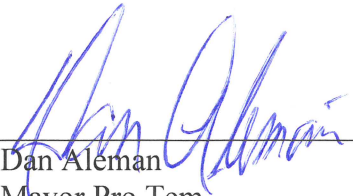
WHEREAS, the City Council realizes the need to adopt a Capital Expenditures and Improvements Policy for the City of Mesquite, Texas.

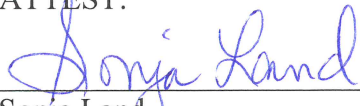
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS:

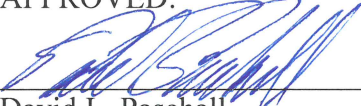
SECTION 1. That the City Council has reviewed the Capital Expenditures and Improvements Policy, attached hereto as Exhibit “A” and made a part hereof for all purposes, and hereby approves and adopts said policy as the official Capital Expenditures and Improvements Policy of the City of Mesquite, Texas.

SECTION 2. That this resolution and the aforementioned Capital Expenditures and Improvements Policy shall take effect immediately from and after the passage of this resolution.

DULY RESOLVED by the City Council of the City of Mesquite, Texas, on the 4th day of March 2019.

  
\_\_\_\_\_  
Dan Aleman  
Mayor Pro Tem

ATTEST:  
  
\_\_\_\_\_  
Sonja Land  
City Secretary

APPROVED:  
  
\_\_\_\_\_  
David L. Paschall  
City Attorney



Financial Policy  
Capital Expenditures and Improvements

City of Mesquite  
Finance Department

Effective Date: \_\_\_\_\_

## **OVERVIEW**

This policy is intended to establish guidelines for the management of certain City capital expenditures, to review and monitor the state of the City's capital assets, and to set priorities for the addition, replacement, and renovation of such assets based on needs, funding alternatives, and availability of resources.

## **SCOPE**

This policy shall apply to all funds under the budgetary and fiscal control of the City Manager and the City Council.

## **POLICY**

### ***Capital Improvements Planning***

The City shall prepare and maintain a five year Capital Improvement Plan (CIP) with the first year of the plan being adopted as part of the annual budget. The CIP shall be reviewed annually for capital improvements and equipment, analysis of the City's infrastructure, replacement and renovation needs, and potential new projects. All projects, ongoing and proposed, shall be prioritized based on an analysis of current needs and resource availability. For every capital project, all operation, maintenance, and replacement costs shall be identified.

The City shall annually prepare a schedule for the replacement of its non-infrastructure capital assets. Within the resources available each fiscal year, the City shall replace these assets according to highest priority need.

### ***Capital Expenditure Financing***

The City recognizes that there are three basic methods of financing its capital requirements. It can budget the funds from current revenues (pay-as-you-go funding); it can take the funds from unassigned fund balance, assigned fund balance, or net position as allowed by the Reserve Policy of each fund involved; or it can borrow money through the issuance of debt. Debt financing includes general obligation bonds, revenue bonds, certificates of obligation, and other debt instruments permitted to be issued or incurred under Texas law. Guidelines for assuming debt are set forth in the City's Debt Management Policy

### ***Spending Priority of Capital Project Funding Sources***

Many capital projects that are administered by the City of Mesquite have multiple funding sources, which can include internal and external sources. The purpose of this section of the policy is to provide guidelines with respect to which funding sources should be expended in which order. Several scenarios apply based upon whether the project has bond funding. The questions below are intended to provide assistance in selecting which priority model to use.

1. Does the project have bond funds? Yes or No?
2. If “no” to question number 1, use Spending Priority Model A
3. If “yes” to question number 1, use Spending Priority Model B

Spending Priority Model A (No Bond Funds)

Priority One: sources of funds that should be spent first include projects where a source external to the City is funding a portion of the project. Examples of sources of funds that come from outside the City include:

- An inter-local agreement with another governmental agency
- Contribution from an outside source, i.e. a donation, or gift of funds
- Developer contributions

Priority Two: Externally restricted funding sources. These types of funding sources include those items where an external restriction exists on the use of funds. Examples include the Police Seizure Funds or the Court Technology Fund, where restrictions in the state law exist.

Priority Three: Internally restricted funding sources. Similar to the above, these are funding sources where internal restrictions exist. Traditionally internal restrictions exist due to an action taken by the City Council, such as the adoption of the Revenue Management and Expenditure Control Policy which designate the use of specific revenues to specific purposes.

Priority Four: Non-restricted internal funding sources. These would primarily be funding sources, such as the General Fund, where funds can be used for any use the City deems and warrants necessary. These funds should always be spent last due to the ability to re-program any remaining funds when a project is completed to other identified needs within the City.

Spending Priority Model B (Project Includes Bond Funds)

Priority One: proceeds from any type of debt issuance, including tax notes, bonds, loans, etc. Each department should keep in mind that the failure to spend debt proceeds in a timely manner results in substantial additional overhead for the City due to additional IRS reporting requirements.

Priority Two: sources of funds that should be next include projects where a source external to the City is funding a portion of the project. Examples of sources of funds that come from outside the City include:

- An inter-local agreement with another governmental agency
- Contribution from an outside source, i.e. a donation, or gift of funds
- Developer contributions

Priority Three: Externally restricted funding sources. These types of funding sources

include those items where an external restriction exists on the use of funds. Examples include the Police Seizure Funds or the Court Technology Fund, where restrictions in the state law exist.

Priority Four: Internally restricted funding sources. Similar to the above, these are funding sources where internal restrictions exist. Traditionally internal restrictions exist due to an action taken by the City Council, such as the adoption of the Revenue Management and Expenditure Control Policy which designate the use of specific revenues to specific purposes.

Priority Five: Non-restricted internal funding sources. These would primarily be funding sources, such as the General Fund, where funds can be used for any use the City deems and warrants necessary. These funds should always be spent last due to the ability to re-program any remaining funds when a project is completed to other identified needs within the City.

### Spending Priority of Grant Related Capital Projects

Spending Priority Model B identified above should generally be followed for grant funded projects, as long as the priorities and methodologies are consistent with the grant requirements. Where the grant requirements differ from the above identified City priorities, the grant priorities should prevail.

### ***Monitoring the Capital Budget***

Finance shall review all projects in the CIP on a regular basis to determine status, funding changes, etc. Regular reports shall be prepared on the progress of each active project. Any substantial or material changes to the CIP shall be reviewed by City Management and City Council, as appropriate. Such changes may require amending the CIP or supplemental appropriation.

Surplus project funds may become available after the completion of a specific project or may result when a project is modified or eliminated without being simultaneously replaced by another eligible project. If bond funds were used to finance the project, surplus funds may be used for projects consistent with the original bond issue to:

- Finance cost overruns on bond projects within the same bond issue;
- Reduce outstanding debt at the end of the bond program; and
- Fund newly identified projects within the same purposes of the original bond issue