

Memorandum

To: Honorable Mayor Shetter and members of the Burleson City Council

From: Rhett Clark, Director of Finance

Date: June 15, 2009

Subject: Resolution R-1157-09, adopting the City's Finance Policy 01 – General Financial Policies, and Finance Policy 03 – Procurement.

Council Action Requested:

Approve Resolution R-1157-09, adopting the City's Finance Policy 01 – General Financial Policies, and Finance Policy 03 – Procurement.

Background Information:

Finance Policy 01, titled "General Financial Policies" was last updated in 2008 to add coverage requirements for the issuance of 4a and 4b sales tax debt. However, the policy has not been adopted by resolution. The updated policy is attached and includes minor changes made to clarify some areas of potential misunderstanding (the changes are highlighted in the attached policy).

The Finance Department, directed by management, developed a procurement policy for City staff. This policy is based on best practices promulgated by the state Comptroller's Office that the City has followed for years. Finance Policy 03 is based on the policy of the City of Burleson that all purchasing shall be conducted strictly on the basis of economic and business merit. This policy is intended to promote the best interest of the citizens of the City of Burleson, Texas by promoting open and fair conduct in all aspects of the purchasing process, and ensuring compliance with all applicable statutes and charter restrictions.

The policies can be amended as warranted by change and legal statutes. **Both policies have been discussed with the Finance Committee.**

Board/Citizen Input:

N/A

Financial Considerations:

N/A

Attachments:

R-1157-09

Finance Policy – 001 – General Financial Policies

Finance Policy – 003 - Procurement

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RESOLUTION R-1157-09

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BURLESON, TEXAS, STATING THAT THE CITY COUNCIL ADOPTES THE FINANCE POLICY 01- GENERAL FINANCE POLICIES AND FINANCE POLICY 03 -PROCUREMENT.

WHEREAS, the City of Burleson is a Home Rule city and adopted its Charter on April 5, 1969; and

WHEREAS, Charter Article VII., Section 67 "Department of Finance; director" created the department of finance; and

WHEREAS, Section 68 states the city manager may delegate some or all of the financial administrative duties to a director of finance or other administrative officer but shall maintain supervisory authority over all functions; and

WHEREAS, Section 68 (11) states the City Manager shall supervise and be responsible for the purchase, receiving, storage and distribution of all supplies, materials, equipment and other articles used by any office, department or agency of the city government; and

WHEREAS, Section 74 (b) states that the city shall comply with the requirements of state law for competitive bidding and the city manager shall adopt procedures to assure competition for expenditures of city funds that do not require formal competitive bidding under state law.

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

SECTION 1.

The City Council of Burleson has adopted the attached Finance Policy 01 – General Financial Policies dated June 15, 2009 and Finance Policy 03 - Procurement dated May 22, 2009, that establishes the City's Procurement Policy.

SECTION 2.

This resolution shall be effective immediately upon adoption.

APPROVED this _____ day of _____, 2009.

MAYOR, Ken Shetter

ATTEST:

City Secretary, Amanda McCrory



City of Burleson, Texas

FINANCE POLICY 01 – GENERAL FINANCIAL POLICIES

June 15, 2009

City of Burleson, Texas

FINANCIAL POLICY STATEMENTS

REVISED 06/15/09

I. STATEMENT OF PURPOSE

The intent of the following Financial Policy and Financial Management Policy is to enable the City to achieve a long-term stable and positive financial condition. The guiding principles of the City's financial management include integrity, prudent stewardship, planning, accountability, and full disclosure.

The more specific purpose is to provide guidelines to the Finance Director in 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 generally spans, among other issues, accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, debt management, and planning concepts, in order to:

- a) present fairly and with full disclosure the financial position and results of financial operations of the City in conformity to generally accepted accounting principles (GAAP) as set forth by the governmental accounting standards board (GASB), and
- b) determine and demonstrate compliance with finance related legal and contractual issues in accordance with provisions of the Texas Local Government Code and other pertinent legal documents and mandates.

II. GENERAL IMPLEMENTATION AND COMPLIANCE GUIDELINES

- A. FINANCE COMMITTEE. A committee designated as the Finance Committee will be appointed annually by the Mayor and consist of two members of the Council, the City Manager and the Finance Director. The committee will meet quarterly, or as needed. The committee will report to the City Council within 10-14 days after each meeting. The function of the committee will be:
 - 1) Fiscal policy review.
 - 2) Auditor selection recommendation.
 - 3) Investment policy review and guidance.
 - 4) Long Range Planning.
- B. ANNUAL REVIEW. Based upon the results and recommendations of the Finance Committee review, the Council will annually approve the fiscal policies.
- C. IMPLEMENTATION, COMPLIANCE, ACCOUNTABILITY AND REVIEW. The Finance Director will be accountable for implementing these policies and will to the best of his or

her knowledge make the City Manager, Finance Committee and the City Council aware of any variances in, practice from these policies or any other deviation from prudent financial practices in accordance with GAAP, the city charter, state laws and/or ethics of the profession. Any variances will be presented at quarterly meetings of the Finance Committee, unless there is a need for a special meeting.

III. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

A. ACCOUNTING. The City is solely responsible for the reporting of its financial affairs, both internally and externally. The City Manager is the City's Chief Fiscal Officer and the head of the administrative branch of the City government. The Director of Finance is appointed by the City Manager to have full charge of the administration of the financial affairs of the City, as specified in the City's Charter Article VII, Section 68.

B. AUDITING. An independent certified public accounting (CPA) firm will perform annual financial audits.

- 1) Qualifications of the Auditor. In conformance with the City's Charter and according to the provisions of Texas Local Government Code, Title 4, Chapter 103, the City will be audited annually by outside independent accountants. ("auditor").
- 2) Auditor Repute. The auditor must be a CPA firm of good 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 or certified public accountants, holding a license under Article 41a-1, 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.
- 3) Timing. The auditor's report on the City's financial statements will be completed within 150 days of the City's fiscal year end.
- 4) Management Letter. The independent CPA firm shall provide a management letter, if one is issued, no later than March 31 following the end of each fiscal year. The auditor will prepare and will jointly review the management letter with the Finance Committee within 20 working days of its receipt by the staff. Within 10 days of this joint review, the Finance Director 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's report upon the resolution of any issues resulting from the joint review.
- 5) Responsibility of Auditor to City Council. The auditor is accountable 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.
- 6) Rotation of Auditor. The City will not require an auditor rotation, but will circulate requests for proposal for audit services at least every five years. Should the City Council be dissatisfied with the auditor's performance, it may request new proposals at any time. Year to year authorization to continue shall be done by July 1st of each year.
- 7) Auditor Accountability to Staff. The following will be provided to City Staff by the auditor:

- a) Hourly time sheets accounting for time spent both by audit phase and level of auditor will be submitted to the City on a monthly basis.
- b) Copies of all work papers, including diskettes and schedules, will be furnished to the City upon completion of the audit. Originals will be maintained at the auditor's office.

C. FINANCIAL REPORTING.

1) External Reporting.

- a. Scope. The Financial Report shall be prepared in accordance with generally accepted accounting principles (GAAP).
- b. Timing. The Report shall be presented to the Council within 150 calendar days of the City's fiscal year end. If City staffing limitations preclude such timely reporting, the Finance Director will inform the City Council of the delay and the reasons thereof.
- c. Awards. The Report shall be presented annually to the Government Finance Officer's Association (GFOA) for evaluation and consideration for the Certificate of Achievement for Excellence in Financial Reporting. (For a discussion of this award, see XI.C. below).

- 2) Internal Reporting. The Finance Department will prepare internal financial reports, sufficient to plan, monitor, and control the City's financial affairs. Internal financial reporting objectives are addressed throughout these policies. (See Section IV. Budgeting, C. Reporting, below).

IV. OPERATING BUDGET.

- A. PREPARATION. 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.

- 1) Scope. The scope of the budget includes all funds for which the City will adopt a formal budget, including Government Funds, Proprietary Funds, and Fiduciary Funds.
- 2) Budgetary Process. The budget is prepared by the City Manager or his/her designee with the cooperation of all City Departments. The budget should be presented to the City Council between 60 and 90 days prior to fiscal year end, and should be enacted by the City Council prior to fiscal year end in accordance with the Charter.
- 3) Awards. If feasible, the operating budget will be submitted to the GFOA annually for evaluation and consideration for the Award for Distinguished Budget Presentation.
- 4) Basis of Budgeting. The basis of budgeting will be the same as the basis of accounting; that is, that budgets for the General Fund and the Special Revenue Funds are prepared on the modified accrual basis of accounting, and budgets for the Utility (Proprietary) Funds are prepared on a full accrual basis, except that capital purchases and depreciation are not adjusted until year-end financial reporting.
- 5) Financial Forecast. A five-year financial forecast shall be prepared annually projecting revenues and expenditures for all operating and capital funds. This

forecast shall be used as a planning tool in developing the following year's operating budget.

- 6) Proposed Budget Format. A proposed budget shall be prepared by the Manager with the participation of all of the City's Department Directors, within the provisions of the City Charter. The budget shall include at least four basic segments for review and evaluation. These segments are: (1) personnel costs, (2) operations and maintenance costs, (3) capital and other (non-capital) project costs, and (4) revenues. A four column format should be used such that prior year actual, current year budget and revised, and next year proposed are all clearly shown.
 - 7) Council Participation. 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. The budget process will be coordinated so as to identify major policy issues for City Council consideration prior to the budget approval date so that proper decision analysis can be made.
 - 8) Filing and Adoption. Upon the presentation of a proposed budget document acceptable to the Council, the Council shall call and publicize a public hearing and adopt by Ordinance such budget as the City's Official Budget, effective for the fiscal year beginning. A copy of the proposed budget shall be filed with the City Secretary in accordance with the provisions of the City Charter. Should the Council fail to take final action on or before the last day of the fiscal year, the budget as submitted by the City Manager shall be deemed to have been finally adopted by the City Council.
 - 9) Amending the Official Budget. The council may amend the budget for municipal purposes in accordance with state law.
 - 10) Encumbrances. Encumbrances outstanding at the end of each fiscal year shall be reflected as reservations of fund balance. Subsequent year's payments on previously encumbered funds will be reflected as expenditures of the prior year with a corresponding decrease of the reservation of fund balance.
- B. **BALANCED BUDGET**. The operating budget will be balanced with current revenues and other resources greater than or equal to current expenditures/expenses. Use of beginning balances and other reserves to balance operations will be disclosed in the document with the underlying rationale.
- C. **REPORTING**. Monthly financial reports will be prepared to enable the Department Managers to manage their budgets and to enable the Finance Director to monitor and control the budget as authorized by the City Manager. Summary financial reports will be presented to the departments within 7 days and to the City Council within 30 days after the end of each reporting period. Such reports will be in format appropriate to enable the City Council to understand the budget status at a level of summary executive detail.
- D. **CONTROL**. Operating Expenditure Control is addressed in Section VI.C. of these Policies.
- E. **ACTIVITY INDICATORS AND STATISTICS**. Where appropriate, activity indicators and statistics will be used as guidelines and reviewed for efficiency and effectiveness. This information will be considered in the annual budgeting process and reported to the City Council regularly.

- F. OPERATING POSITION. The guidelines that the City should be following to assure fiscal stability are those outlined in Financial Condition/ Reserves/Stability Ratios (IX.A. through F.).

V. REVENUE MANAGEMENT.

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

1. SIMPLICITY. The City, where possible and without sacrificing accuracy, will strive to keep the revenue system simple in order to reduce compliance costs and to make it more understandable to the taxpayer or service recipient. The City will avoid nuisance taxes or charges as revenue source.
2. 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.
3. EQUITY. The City shall make every effort to maintain, equity in its revenue system structure; i.e., the City shall seek to minimize or eliminate all forms of subsidy between entities, funds, services, utilities, and customers. 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.
4. ADMINISTRATION. The benefits of a revenue will exceed the cost of collecting and administering the revenue program. The cost of collection will be reviewed annually for cost effectiveness as a part of the indirect cost and cost of services analysis. Where appropriate, the City will use the administrative processes of State or Federal collection agencies in order to reduce administrative costs.
5. DIVERSIFICATION AND STABILITY. In order to protect from fluctuations in a revenue source due to fluctuations in the economy and variations in weather, a diversified revenue system will be maintained which has a stable source of income. This stability is also achieved by a balance between elastic and inelastic sources of revenues.
6. GRANTS AND RESTRICTED REVENUES. In order to maintain flexibility in the revenue system, restricted revenues will be kept to a minimum, and shall be pursued on a cost-benefit basis. ~~Advantages and disadvantages of restricted grants will be considered to ensure that the City's portion of contribution.~~ All grants and other federal/state, and restricted funds shall be managed and accounted to comply with the laws, regulations, and guidance of the grantor.

- B. The following considerations and issues will guide the City in its revenue policies concerning specific sources of funds:

1. 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.

2. **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.
3. **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 Johnson County Appraisal District. Total taxable valuation will be reappraised and reassessed in accordance with State statute, in order to maintain current market values.

A 98% collection rate shall serve each year as a goal for tax collections. All taxes shall be aggressively pursued each year by the City's appointed tax assessor/collector. Tax accounts delinquent July 1st shall be submitted for collection each year to an attorney selected by the City Council. A penalty shall be assessed on all property taxes delinquent in accordance with State law and shall include all court costs, as well as an amount for compensation of the attorney as permitted by State law and in accordance with the attorney's contract with the City. Annual performance criteria will be developed for the attorney.

4. **INTEREST INCOME.** Interest earned from investment of available monies, whether pooled or not, will be distributed to the funds in accordance with the operating and capital budgets which, wherever possible, will be in accordance with the equity balance of the fund from which monies were provided to be invested.
5. **USER-BASED FEES AND SERVICE CHARGES.** 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 an annual review of fees and charges to ensure that fees provide adequate coverage of costs of services. User charges may be classified as "Full Cost Recovery", "Partial Cost Recovery," and "Minimal Cost Recovery," based upon City Council policy.
6. **UTILITY RATES.** The City will review and adopt utility rates annually 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. 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 Utility Rates will include transfers to the General Fund as follows:
 - a. General and Administrative Charge. An administrative fee will be charged to the Utility Fund for services of general overhead, such as administration, finance, personnel, data processing, and legal counsel. This fee will be documented through a cost allocation procedure.
 - b. Franchise payment. A rate consistent with those charged to private utilities will be charged to the Utility Fund. Presently these rates vary between 2% & 4% of gross sales. This rate may be either raised or lowered so as to be consistent with those of the private utilities.
 - c. Payment in lieu of Property Tax (PILOT). A fee will be charged to the Utility Fund to equate to property taxes lost due to municipal ownership. Net book

value will be used as a basis, barring absence of known market value. The existing tax rate will be applied to this base to determine the PILOT charge.

7. REVENUE MONITORING. Revenues actually received will be regularly compared to budgeted revenues and variances will be investigated. This process will be summarized in the appropriate budget report.

VI. EXPENDITURE CONTROL

- A. APPROPRIATIONS. The level of budgetary control is at the Department level budget in the General and Enterprise Funds, and at the fund level in all other funds. When budget adjustments among Departments and/or funds are necessary, these must be approved by the City Council. Budget appropriation amendments at lower levels of control shall be made in accordance with the applicable administrative procedures.
- B. AMENDMENTS TO THE BUDGET. In accordance with the City Charter, all budget amendments shall be approved by the Council.
- C. CENTRAL CONTROL. No recognized or significant salary or capital budgetary savings in any Department shall be spent by the Department Director without the prior authorization of the City Manager.
- D. PURCHASING. All purchases should be in accordance with the City's purchasing policies as defined in the Purchasing Manual. In accordance with Charter provisions, purchases and contracts which exceed \$3,000 will be reviewed and recommended by staff and presented to Council for approval.
- E. PROMPT PAYMENT. All invoices approved for payment by the proper City authorities shall be paid by the Finance Department within thirty (30) calendar days of receipt in accordance with the provisions of Article 601f, Section 2, of the State of Texas Civil Statutes. :
- F. EQUIPMENT FINANCING. Equipment is accounted for at the original acquisition cost, which includes purchase price plus any costs incurred to place the equipment in service. Equipment may be leased or financed when the unit purchase price is \$5,000 or more and the useful life is at least five years. Departments shall contact the Finance Department for transfer or disposal instructions.
- G. RISK MANAGEMENT. The City will aggressively pursue every opportunity to provide for the Public's and City employees' safety and to manage its risks. The goal shall be 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. Such options may include risk transfer, insurance, and risk retention.

VII. ASSET MANAGEMENT

- A. INVESTMENTS. The Finance Director shall promptly invest all City funds with the Bank Depository in accordance with the provisions of the current Bank Depository Agreement or in any negotiable instrument that the Council has authorized under the provisions of the Public Funds Investment Act of 1987, and in accordance with the City Council approved Investment Policies.

At the end of each fiscal year a report on investment performance will be provided to the City Council. Quarterly, the Finance Director shall prepare and provide a written recapitulation of the City's investment portfolio to a staff Investment Committee and Council detailing each City investment instrument with its rate of return and maturity date.

- B. CASH MANAGEMENT. 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, municipal fines, building and related permits and licenses, and other collection offices as appropriate. Cycle billing will be used where appropriate.
- C. FIXED ASSETS AND INVENTORY. These assets will be reasonably safeguarded and 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, buildings or accessioned Library materials. The cost or value of any such acquisition must be \$5,000 or more within an expected useful life greater than one year. All City departments with inventory are required to conduct a physical inventory under their control on an annual basis.
- D. DEPOSITORIES The City Council, having given due consideration to all of its options and taking into consideration what is in the best interest of the municipality, hereby authorizes the consideration of applications of depositories not doing business within the City of Burleson, Texas so long as that bank maintains a business location within a five-mile radius of Burleson City Hall. This authorization encompasses all of the depository uses and requirements of the City.

VIII. CAPITAL BUDGET AND PROGRAM

- A. PREPARATION. The City will endeavor to develop a capital budget which will include all capital projects and all capital resources. The budget will be prepared annually on fiscal year basis. The capital budget will be prepared by the Finance Director with the involvement of all required City Departments.
- All final payments of construction contracts will be approved by City Council. This will require previous involvement of departments in order to verify that all specifications have been satisfactorily met.
- B. CONTROL. All capital project expenditures must be appropriated in the capital budget. The Finance Department must certify the availability of such appropriations or the availability of resources so any appropriation can be made before a capital project contract is presented to the City Council for approval.
- C. PROGRAM PLANNING. The capital budget will include capital improvements program plans for future years. The planning time frame should normally be at least five years. The replacement and maintenance for capital items should also be projected for the next 5 years. Future maintenance and operational costs will be considered, so that these costs can be included in the operating budget.
- D. FINANCING PROGRAMS. Where applicable, assessments, impact fees, pro-rate charges, or other fees should be used to fund capital projects which have a primary

benefit to specific, identifiable property owners.

- E. **INFRASTRUCTURE MAINTENANCE.** The City recognizes that deferred maintenance increases future capital costs. Therefore, a portion of the appropriate fund's budget will be set aside each year to maintain the quality of the City's infrastructure. The inclusion of infrastructure maintenance and replacement costs in the current operating budget places the burden of the costs and repairs on the current users of the systems.
- F. **REPORTING.** Periodic financial reports will be prepared to enable the Department Managers to manage their capital budgets and to enable the Finance Department to monitor and control the capital budget as authorized by the City Manager. Summary capital projects status reports should be presented to the City Council semi-annually.

IX. FINANCIAL CONDITIONS, RESERVES, AND STABILITY RATIOS

- A. **OPERATIONAL COVERAGE. (NO OPERATING DEFICITS).** The City will maintain an operational coverage factor of 1.00, such that current operating revenues (plus approved fund balance appropriations) will equal or exceed current 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 Paragraph B, following.

- B. **OPERATING RESERVES/FUND BALANCES**

1. It is the goal of the City that the unreserved balance should be at least 16.67% of the General Fund annual expenditures. This percentage is the equivalent of 60 days expenditures. In order to adhere to the principles of matching current revenues with current expenditures and minimizing property taxes, the City will take action to reduce the fund balance if the unreserved balance grows beyond 75 days expenditures.
2. The Enterprise Fund working capital should be maintained at least at the 16.67% of total operating expenditures or the equivalent of 60 days.
3. Cash and investment balances in the City's economic development corporation special revenue funds should be maintained at a minimum of 25% of the next 12 months' budgeted expenditures and transfers.

- C. **CAPITAL AND DEBT SERVICE FUNDS**

1. Items in the Capital Projects Funds will be completed and paid for within 36 months of receipt of proceeds. Balances will be used to generate interest income to offset construction costs.
2. General Obligation Debt Service Funds will not have reserves or balances in excess of one month of principal and interest plus 15% of the principal outstanding for unrefunded debt issued prior to September 1, 1986. This maximum is dictated by Federal law and does not include the amounts accrued for the next debt service payment.

The policy above does not preclude the debt service reserves normally established to market revenue bonds. The City's policy and bond ordinance requirements are to maintain these debt service reserves at the level of the average annual debt service.

3. Revenue Obligations will maintain Debt Coverage Ratios as specified by the bond covenants. The City is currently required to have net revenues in excess of average annual debt by 1.25 times. Net revenues must also exceed the maximum outstanding debt by 1.10 times. Both these tests must be met in order to issue additional bonds.
4. Obligations of Burlison's economic development corporations will maintain coverage ratios as specified by bond covenants. If the City issues obligations partially secured by a limited pledge of the corporations' sales tax revenues, not subject to the coverage ratios of the revenue bond covenants, coverage shall be maintained at no less than 1.25 times average annual debt service, and 1.15 times the maximum annual debt service. Both of these tests must be met in order to issue additional bonds.

D. COMPENSATED ABSENCES. The City will establish an additional reserve within its operating funds to pay for material accrued reimbursable vacation and sick leave.

X. TREASURY AND DEBT MANAGEMENT

A. CASH 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 will be done.

The City will adhere to the investments authorized through the Public Funds Investment Act of 1987 and will additionally establish a comprehensive Investment Policies and Guidelines. Such policies will clarify acceptable investment securities, brokers, terms, and other pertinent investment information.

B. TYPES OF DEBTS

1. SHORT-TERM DEBT. Pursuant to the City Charter, tax anticipation notes ("TAN") will be retired annually and will not exceed 25% of anticipated taxes. Bond anticipation notes ("BAN") will be retired within six months of completion of the project. Any short-term debt outstanding at year-end will not exceed 5% (including TAN but excluding BAN) of net operating revenues.
2. LONG-TERM DEBT. Long-term debt will not be used for operating purposes, and the life of a bond issue will not exceed the useful life of a project financed by that bond issue.
3. SELF-SUPPORTING DEBT. When appropriate, self-supporting revenues will pay debt service in lieu of tax revenues.

- C. 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, impact fees, and use of reserves of current monies.
- D. DISCLOSURE. Full disclosure of operations will be made to the bond rating agencies and other users of financial information. The City staff, with the assistance of financial advisors and bond counsel, will prepare the necessary materials for presentation to the rating agencies, will aid in the production of Offering Statements, and will take responsibility for the accuracy of all financial information released.
- E. FEDERAL REQUIREMENTS. The City will maintain procedures to comply with arbitrage rebate and other Federal requirements.
- F. DEBT STRUCTURING. The City will issue general obligation bonds with an average life of 10.5 years or less, not to exceed the life of the asset acquired.

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.

G. DEBT ISSUANCE.

1. Method of Sale. 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.
2. Bidding Parameters. The notice of sale will be carefully constructed so as to ensure the best possible bid for the City in light of the existing market conditions and other prevailing factors. Parameters to be examined include:
 - Limits between lowest and highest coupons
 - Coupon requirements relative to the yield curve
 - Method of underwriter compensation, discount or premium coupons
 - Use of **True Interest Cost** (TIC) vs. **Net Interest Cost** (NIC)
 - Use of bond insurance
 - Original Issue discount bonds/Capital Appreciation Bonds
 - Variable rate bonds
 - Call provisions (25 years by Charter)
3. Bond Issuance Costs. The City will be involved in the selection of all financial advisors, underwriters, paying agents, and bond counsel. The City shall evaluate the merits of rotating professional advisors and consultants and the kinds of services and fee structures available from independent financial advisors, investment banking firms, and commercial banks. The City will carefully itemize and scrutinize all costs associated with the issuance of bonds.

4. Financial Advisor. The City will discourage perceived conflicts of interest which arise when a financial advisor is allowed to bid on debt obligations of the City. The financial advisor will be expected to provide planning and analytical services which extend beyond the issuance of debt. The payment to the Financial Advisor should be related to the costs of providing their service to the City.

XI. INTERNAL CONTROLS

- A. WRITTEN PROCEDURES. ~~Whenever possible,~~ Written procedures will be established and maintained by the Director of Finance for all functions and financial cycles including cash handling and accounting throughout the City.

These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement.

- B. DEPARTMENT DIRECTORS AND MANAGERS RESPONSIBILITY. City administrators and manager are charged with the responsibility for establishing a network of processes with the objective of controlling the operations of the City in a manner which provides reasonable assurance that:

1. Data and information published either internally or externally is accurate, reliable, complete, and timely.
2. The actions of administrators and employees are in compliance with the City's charter, plans, policies and procedures, and all relevant laws and regulations.
3. The City's resources including its people, systems, data/information, assets, and citizens are adequately protected.
4. Resources are acquired economically and employed effectively.
5. The City's internal controls promote the achievement of plans, programs, goals, and objectives.

Each Department Manager is responsible to ensure that good internal controls are followed throughout his or her Department, that all Finance Department directives or internal controls are implemented, and that all independent auditor internal control recommendations are addressed.

XII. STAFFING AND TRAINING

- A. ADEQUATE STAFFING. Staffing levels will be adequate 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.
- B. 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 financial issues. Staff will be held accountable for communicating, teaching, sharing with other staff members all information and training materials acquired from seminars, conferences, and related education efforts.
- C. AWARDS, CREDENTIALS AND RECOGNITION. The City will support efforts and involvements which result in meeting standards and receiving exemplary recitations on behalf of any of the City's fiscal policies, practices, processes, products, or personnel. Staff certifications may include Certified Public Accountant, Management Accountant,

June 15, 2009

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Certified Internal Auditor, and Certified Cash Manager. Further, the Finance Director will try to obtain and maintain the designation of Certified Government Finance Officer as awarded by the GFOA of Texas.

The City will strive to maintain a high level of excellence in its accounting policies and practices as it prepares its Financial Report. The Report will be presented to the Government Finance Officers Association (GFOA) for review of qualifications necessary to obtain the Certificate of Achievement for Excellence in Financial Reporting. Additionally, the City will submit its annual budget to GFOA for consideration for Distinguished Budget Award.



City of Burleson, Texas

FINANCE POLICY 03 - PROCUREMENT

May 22, 2009

STATEMENT OF GENERAL POLICY

It is the policy of the City of Burleson that all purchasing shall be conducted strictly on the basis of economic and business merit. This policy is intended to promote the best interest of the citizens of the City of Burleson, Texas

It is important to remember that city purchasing operates in full view of the public. In order to assure an open purchasing process and economy in purchasing, the Burleson City Council has determined that competitive bidding will be used as much as possible in the purchase of goods and services for the City.

The City of Burleson intends to maintain a cost effective purchasing system conforming to good management practices. To be successful, the system must be backed by proper attitudes and cooperation of not only every department head and official, but also every supervisor and employee of the City of Burleson. The establishment and maintenance of a good purchasing system is possible only through cooperative effort.

The purchasing process is not instantaneous. Time is required to complete the steps required by State law. In order to accomplish timely purchasing of products and services at the least cost to the City of Burleson, all departments must cooperate fully. Prior planning and the timely submission of requisitions are essential to expedite the purchasing process and to assure that the process is orderly and lawful.

**PROCUREMENT POLICY
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CITY OF BURLESON PROCUREMENT POLICY

1.0 GOVERNING AUTHORITY

The primary governing authority for the City of Burleson's Procurement Policy shall be the City's Charter, in conjunction with Local Government Code Chapter 252, *Purchasing and Contracting Authority of Municipalities*. All procurement activity shall be governed by the Purchasing Manual, in accordance with applicable state and local government codes. The Mayor and Council shall from time to time review the Procurement Policy and the City's resolution shall record any changes made to the policy.

2.0 PURPOSE AND SCOPE

The Procurement Policy applies to the procurement activities of the City of Burleson. All procurement activities for the City shall be administered in accordance with the provisions of this policy, with the express intent to promote open and fair conduct in all aspects of the procurement process.

The Purchasing Division does not issue sealed bid invitations for street construction or water/sewer infrastructure. The designated department issues these types of contracts.

3.0 OBJECTIVES

The Purchasing Division is responsible for ensuring that City departments comply with federal, state and local statutes regulating competitive sealed bids, competitive sealed proposals, professional services, high technology purchases, cooperative purchases, and emergency and sole-source purchases. The Purchasing Division solicits for all competitive procurements as required by law, evaluates bids and proposals, and with the user department makes recommendations to the Mayor and City Council for awarding of contracts.

The Purchasing Division is a functional support division and should be included in all stages of acquisition, through planning, ordering, and receiving. A professional staff issues purchase orders (POs) and bids, and/or negotiates and executes contracts to deliver goods and services in a timely manner. This is to ensure compliance with the State of Texas competitive bid statutes and the City's purchasing policies.

The Purchasing Division is committed to providing quality service through effective teamwork and communication with City departments and vendors alike, in order to fulfill the purchasing needs of the City in a professional, responsive and timely manner in compliance with all City policies and applicable federal, State, and local purchasing laws. Public purchasing has the responsibility to obtain the most value for the tax dollar in a fair, efficient and equitable manner. To achieve this objective, the Purchasing Division seeks to foster as much competition as possible. In doing so, we adopt the goal of fairness by ensuring all who wish to compete for the opportunity to sell to the City of Burleson can do so. Our policy is intended to:

1. Give all suppliers full, fair, prompt and courteous consideration;
2. Keep competition open and fair;
3. Solicit supplier suggestions in the determination of clear and adequate specifications and standards;
4. Cooperate with suppliers and consider possible difficulties they may encounter; and
5. Observe strict truthfulness and highest ethics in all transactions and correspondence.

3.1 General Duties of the Purchasing Division:

1. Observe and enforce the policy and procedures outlined in the City of Burleson Purchasing Policy or as directed by the City Manager or his/her designee;
2. Advise and assist in the formulation of policies and procedures connected with the purchasing activities of the City, and keep the Director of Finance advised of such policies and procedures;
3. Investigate and analyze research done in the field of purchasing by other governmental agencies and by private industry, in an effort to keep abreast of current developments in the fields of purchasing, price, market conditions and new products;
4. Coordinate, organize, and assist departments in the specification writing process to ensure that specifications are written concisely and are not written in an exclusive manner;
5. Join with other governmental agencies in cooperative purchasing plans when it is in the best interest of the City;
6. Receive, open, and evaluate competitive solicitations;
7. Act in an advisory role as a non-voting member on evaluation committees;
8. Prepare and coordinate with user departments staff reports recommending award of competitive solicitations for City Council approval;
9. Combine purchases of similar items whenever possible and practical, to allow for better pricing and establish a more competitive atmosphere;
10. Assist department heads in the disposition of junk and scrap material such as pallets, scrap pipe, paper products, etc;
11. Dispose of stolen, abandoned and recovered property coming into the possession of the City;
12. Dispose of surplus City property at public auction and record disposition;
13. Conduct a purchasing class each quarter for employees who process requisitions, conduct receiving, approve purchase orders, and/or develop specifications in the automated procurement system. Additionally, individual training by the assigned Purchasing Agent is available at the request of departments.

4.0 CODE OF ETHICS

By participating in the procurement process, employees of the City of Burleson agree to:

- Avoid the intent and appearance of unethical or compromising practice in relationships, actions, and communications.
- Demonstrate loyalty to the City of Burleson by diligently following the lawful instructions of the employer, using reasonable care, and only authority granted.
- Refrain from any private business or professional activity that would create a conflict between personal interests and the interest of the City of Burleson.

- Refrain from soliciting or accepting money, loans, credits, or prejudicial discounts, and the acceptance of gifts, entertainment, favors, or services from present or potential suppliers that might influence, or appear to influence purchasing decisions.
- Never discriminate unfairly by the dispensing of special favors or privileges to anyone, whether as payment for services or not; and never accept for himself or herself or for family members, favors or benefits under circumstance which might be construed by reasonable persons as influencing the performance of Governmental duties.
- Engage in no business with the City of Burleson, directly or indirectly, which is inconsistent with the conscientious performance of Governmental duties.
- Handle confidential or proprietary information belonging to employer or suppliers with due care and proper consideration of ethical and legal ramifications and governmental regulations.
- Never use any information gained confidentially in the performance of Governmental duties as a means of making private profit.
- Promote positive supplier relationships through courtesy and impartiality in all phases of the purchasing cycle.
- Know and obey the letter and spirit of laws governing the purchasing function and remain alert to the legal ramifications of purchasing decisions.
- Expose corruption and fraud wherever discovered.
- Uphold these principles, ever conscious that public office is a public trust.

5.0 COMPETITIVE PROCUREMENT REQUIREMENTS

Under no circumstances shall multiple requisitions be used in combination to avoid otherwise applicable bidding requirements or City Council approval.

5.1 Quotes

1. Purchases of non-contract goods or services totaling \$3,000 or less require no quotation. In such instances, departments should make every effort to use the City's procurement card.

Except where otherwise exempted by applicable State law, purchases totaling \$3,000 to \$4,999 require a minimum of two quotes. All quotations received must be in writing from the vendor and will be evaluated by the Purchasing Manager who will then authorize and issue a purchase order through the financial software.

Purchases totaling \$5,000 to \$24,999 will require three or more competitive written quotes. Two no quotes returned equal one quote.

The department is encouraged to contact the Purchasing Division for purchases over \$10,000 to discuss the best method of purchase for goods and services.

2. Formal Quotes for purchase of more than \$25,000 but less than \$50,000.
 - a. *Purchases of more than \$25,000 must be expressly approved in advance by Department Director or by budget authority. The Purchasing Manager will be responsible for distribution of all formal quotes from \$25,000 up to \$49,999.*

3. Local Government Code Chapter 252.0215 Competitive bidding in relation to Historically Underutilized Business vendors, states that a municipality, in making an expenditure of more than \$3,000 but less than \$50,000, shall contact at least two HUBs on a rotating basis. If the list fails to identify a disadvantaged business in the county in which the City is situated, the City is exempt from this section.

HUB – Certified businesses that are at least 51% owned, operated, and controlled by the qualifying groups which include Asian Pacific Americans, Black Americans, Hispanic Americans, Native Americans and American Women.

The City also accepts equivalent certifications, as approved by City Management.

5.2 Sealed Competitive Procurements (Goods and Services)

1. Except as otherwise exempted by applicable State law, requisitions for item(s) whose aggregate total cost is more than \$50,000 must be processed as competitive solicitations (e.g. sealed bids, request for proposals, and request for offers). Texas Local Government Code, Subchapter B, Section 252.021 defines the requirements for competitive bids.

Texas Local Government Code, Section 252.062, states:

A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly makes or authorizes separate, sequential, or component purchases to avoid the competitive bidding requirements of Section 252.021. An offense under this subsection is a Class B Misdemeanor.

A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly violates Section 252.021, other than by conduct described in subsection (a). An offense under this subsection is a Class B Misdemeanor.

A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly violates this chapter, other than by conduct described by subsection (a) or (b). An offense under this subsection is a Class C Misdemeanor.

Conviction for any of these offenses may result in immediate removal from office or employment.

5.3 Reciprocity

The State of Texas Reciprocity Law provides that the State or political subdivision cannot award contracts or purchases to non-resident bidders having local preference laws in their resident states unless their bid is lower than the lowest bid submitted by a responsible Texas resident bidder by the amount that a Texas resident bidder would be required to underbid a nonresident bidder to obtain a comparable contract in the state in which the nonresident's principal place of business is located.

5.4 Award of Contract

The City of Burleson shall award contracts based on criteria deemed in the best interest of the City.

Texas Local Government Code, Section 252.043, states, in part:

- (a) *If the competitive sealed bidding requirement applies to the contract for goods or services, the contract must be awarded to the lowest responsible bidder or to the bidder who provides goods or services at the best value for the municipality.*

- (c) *Before awarding a contract under this section, a municipality must indicate in the bid specifications and requirements that the contract may be awarded either to the lowest responsible bidder or to the bidder who provides goods or services at the best value for the municipality.*

5.5 Disclosure of Information

Access to bidder-declared trade secrets or confidential information shall be in accordance with the Texas Government Code Chapter 552, the Public Information Act, and applicable City policies implementing this chapter.

Texas Local Government Code Chapter 252.049(b) states, in part:

If provided in a RFP, proposals shall be opened in a manner that avoids disclosure of the contents to competing offerers and keeps the proposals secret during negotiations. All proposals are open for public inspection after the contract is awarded, but trade secrets and confidential information in the proposals are not open for public inspection.

5.6 Professional Services

Personal and professional services are exempted from the competitive bidding process and are procured through the use of Request for Qualification (RFQ) documents. The Purchasing Division is available to consult with departments regarding the preparation of information; however, the presentation of technical and qualifications aspects of personal and/or professional services included in the RFQ documents is the sole responsibility of the requesting department.

1. Texas Government Code, Chapter 2254, Subchapter A, Professional Services, states that contracts for the procurement of defined professional services may not be awarded on the basis of competitive bids. Instead, they must be awarded on the basis:
 - (1) Of demonstrated competence and qualifications to perform the services;
 - (2) For a fair and reasonable price;
 - (3) Fees are allowed;
 - (4) Must be consistent with and not higher than the recommended practices and fees published by the applicable professional associations; and
 - (5) May not exceed any maximum provided by law.
2. Professional Services for the purposes of Government Code Chapter 2254 are defined as those “*services within the scope of the practice, as defined by state law, of accounting, architecture, landscape architecture, land surveying, medicine, optometry, professional engineering, real estate appraising, or professional nursing, or provided in connection with the professional employment or practice of a person who is licensed or registered as a certified public accountant, an architect, a landscape architect, a land surveyor, a physician, including a surgeon, an optometrist, a professional engineer, a state certified or state licensed real estate appraiser, or a registered nurse.*”

5.7 Automated Information Systems

Departments may contact the Purchasing Division for all high technology procurements so that the Purchasing Division can coordinate with Information Technology to ensure that the appropriate solicitation procedure is used.

The Purchasing Division will not process any request for automated systems or subsequent software without prior written authorization from the Information Technology Department.

1. Automated information systems include:
 - a. The computers on which the information system is automated;
 - b. A service related to the automation of the system, including computer software, or the computer; and
 - c. A telecommunications apparatus or device that serves as a component of a voice, data, or video communications network for transmitting, switching, routing, multiplexing, modulating, amplifying, or receiving signals on the network.

5.8 Cooperative Purchases

Cooperative purchasing occurs when two or more governmental entities coordinate some or all purchasing efforts to reduce administrative costs, take advantage of quantity discounts, share specifications, and create a heightened awareness of legal requirements. Cooperative purchasing can occur through interlocal agreements, state contracts, piggybacking, and joint purchases.

The Purchasing Division shall take advantage of the following types of cooperative purchases when deemed to be in the City's best interest:

- Interlocal Agreement Purchases
- State Contract Purchases
- Piggybacking
- Joint Purchases

5.9 Emergency Purchases

Valid emergencies are those that occur as a result of the breakdown of equipment which must be kept in operation to maintain the public's safety or health, or whose breakdown would result in the disruption of City operations. When this situation occurs, the department shall contact the Purchasing Division and conduct the procurement of supplies and services in accordance with the Purchasing Manual.

The Legislature exempted certain items from sealed bidding in the **Texas Local Government Code Section 252.022(a)**, including, but not limited to:

1. *A procurement made because of a public calamity that requires the immediate appropriation of money to relieve the necessity of the municipality's residents or to preserve the property of the municipality;*
2. *A procurement necessary to preserve or protect the public health or safety of the municipality's residents;*
3. *A procurement necessary because of unforeseen damage to public machinery, equipment or other property.*

5.10 Sole Source Purchases

Sole-source purchases are items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies as defined by local government code.

When a department has identified a specific item with unique features or characteristics essential and necessary to the requesting department and no alternate products are available, a detailed written justification must be provided to the Purchasing Division in advance for review and approval.

Legal Definition

The legislature exempted certain items from sealed bidding in the Vernon's Texas Codes Annotated - Local Government Code Section 252.022 (a) 7, in part: Procurement of items available from only one source, including:

- A. *items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies;*
- B. *films, manuscripts, or books;*
- C. *gas, water and other utility services;*
- D. *captive replacement parts or components for equipment;*
- E. *books, papers, and other library materials for a public library that are available only from the person holding exclusive distribution rights to the materials; and*
- F. *management services provided by a nonprofit organization to a municipal museum, park, zoo, or other facility to which the organization has provided significant financial or other benefits.*

6.0 RECOMMENDATIONS TO CITY COUNCIL

The Purchasing Division and the user department make final recommendations to the Mayor and City Council for awarding of contracts, in accordance with approval thresholds, for all solicitations in the stated areas of responsibility.

7.0 PURCHASING MANUAL

The Purchasing Manual contains expanded explanation and process for accomplishing the procurement of goods and services in accordance with this policy. The Purchasing Manager maintains responsibility for updating the Purchasing Manual in accordance with applicable State and Local Government Codes and the Procurement Policy, as approved by City Council.