

**CITY OF TERRELL  
FINANCIAL POLICY  
MANUAL**



**Fiscal Year 2026  
Adopted November 4, 2025**

## FINANCIAL POLICIES MANUAL

As public employees, we must maintain the highest standards in the area of purchasing and use of credit cards. Also at all times, we, as employees, must insure the City Council and the public that no conflict of interest exists.

The policies included in this manual (Purchasing Policy, Credit Card Policy, Cash Management Policy, Investment Policy and Conflict of Interest standards) are clear and concise. These policies have been established to provide direction and guidance to staff and to insure that regulations of the State of Texas and City of Terrell are followed.

These policies are administered through the Office of the City Secretary. If you have questions or desire clarification, do not hesitate to contact the appropriate representative of the City Secretary's Office or City Management.

Mike Sims  
City Manager



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# **FINANCIAL POLICIES OVERVIEW**

## **1.0      Introduction**

The City of Terrell financial policies set forth the basic framework for the fiscal management of the City. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of Terrell City Charter. The policies are intended to assist the City Council and City staff in evaluating current activities and proposals for future programs. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

## **2.0      Annual Budget (Charter Requirements)**

- A. The fiscal year of the City of Terrell shall begin on the first day of October and end on September 30 of the following calendar. The fiscal year will also be established as the accounting and budget year.
- B. On or before the 1<sup>st</sup> day of August of each year, the City Manager shall submit to the City Council a budget for the ensuing fiscal year and an accompanying message.
- C. The City Manager's message shall explain in the budget both in fiscal terms and in terms of the work programs. It shall outline the proposed financial policies of the City for the ensuing fiscal year, describe the important features of the budget, indicate any major changes from the current year in financial policies, expenditures, and revenues together with the reasons for such changes, summarize the City's debt position and include such other material as the manager deems desirable.
- D. The budget shall provide a complete financial plan for the fiscal year, and shall be in the form and contain such information as required by state law and by the City Council. The budget shall conform to recommendations for budgets and crediting procedures as prescribed by the Municipal Finance Officers Association to the extent possible.
- E. The budget and all supporting schedules shall be filed with the City Secretary when submitted to the Council and shall be opened to public inspection by anyone interested.
- F. At the Council meeting at which time the budget is submitted, the Council shall name the date and place of a public hearing and shall cause to be published in the official newspaper of the City the time and place, which will be not less than ten (10) days nor more than thirty (30) days after date of notice. At this hearing, interested citizens may express their opinions concerning items of expenditures, giving their reasons for wishing to increase or decrease any items of expense.
- G. After public hearing, the Council shall analyze the budget, making any addition or deletions which they feel appropriate, and shall, at least ten (10) days prior to the beginning of the next fiscal year, adopt the budget by a favorable majority vote of all members of the Council. Should the Council take no final action on or prior to such day, the budget as submitted by the City Manager shall be deemed to have been finally adopted by the Council.
- H. On final adoption, the budget shall be in effect for the budget year. Final adoption of the budget by the Council shall constitute the official appropriations as proposed expenditures for the current year and shall constitute the basis of official levy of the property tax as the amount of tax to be assessed and collected for the corresponding tax year. Estimated expenditures will in no case exceed proposed revenue plus cash on hand. Unused appropriations may be transferred to any item required for the same general purpose.

### **3.0 Basis of Accounting and Budgeting**

- A. The City of Terrell finances shall be accounted for in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board.
  - 1. The accounts of the City of Terrell are organized and operated on the basis of funds and account groups. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. Governmental funds are used to account for the government's general government activities and include the General, Special Revenue, Debt Service and Capital Project funds.
  - 2. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrue (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Substantially all revenues are considered to be susceptible to accrual. Ad valorem, sales, hotel, and franchise tax revenues recorded in the General Fund, and ad valorem tax revenues recorded in the Debt Service fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (expect earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are recognized when the related funds liability is incurred, if measurable, except for principal and interest on general long-term debt, which are recorded when due, and compensated absences, which are recorded when payable from currently available financial resources.
  - 3. The City of Terrell utilizes encumbrance accounting for its Governmental fund types, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
  - 4. The Proprietary fund types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
- B. The budgets shall be prepared and adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds except the capital projects funds which adopt project-length budgets. All annual appropriations lapse at fiscal year-end. Under the City's budgetary process, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

### **4.0 Budget Administration**

- A. All expenditures of the City of Terrell shall be made in accordance with the annual budget. Budgetary control is maintained at the individual expenditure account level by the review of all requisitions of estimated purchase amounts prior to the release of purchase order to vendors.
- B. The following represents the City of Terrell budget amendment policy delineating responsibility and authority for the amendment process. Transfers between expenditure accounts in one department may occur with the approval of the City Manager's Office. Transfers between funds must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council. As a matter of course, continuous budget monitoring requires that deviations from expected amounts of revenue and/or expenditures be noted and estimates revised, if necessary, to avoid financial distress. Budget amendments are thus considered prudent financial management techniques and are deemed to fulfill the requirements of City Charter for budget amendment justification.

## **5.0 Financial Reporting**

- A. Following the conclusion of the fiscal year, the City of Terrell Director of Finance shall cause to be prepared a Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting and financial reporting principles established by the Governmental Accounting Standards Board. The document shall also satisfy all criteria of the Government Finance Officers Association's Certification of Achievement for Excellence in Financial Reporting Program.
- B. The CAFR shall show the status of the city's finances on the basis of generally accepted accounting principles (GAAP). The CAFR shall show fund revenues and expenditures on both a GAAP basis and budget basis for comparison purposes. Differences in format are acknowledged through reconciliations. Compensated absences (accrued but unused vacation leave) are not reflected in the budget but are accounted for in the CAFR's long-term debt account group. Depreciation expense is not shown in the budget's propriety funds, although the full purchase price of equipment and capital improvements are reflected as uses of working capital.
- C. Included as part of the Comprehensive Annual Financial Report shall be the results of the annual audit prepared by independent certified public accountants designated by the City Council.
- D. The City Manager's Office shall, within sixty days following the conclusion of each calendar quarter, issue a report to the Council reflecting the City's financial condition for that quarter. The quarterly report format shall be consistent with the format of the annual budget document. The preliminary budget may serve as the report for the third quarter of the year, as it reflects the City's current financial status and expected year end posture.

## **5.5 Fund Definitions**

**General Fund** is the chief operating fund of the city, accounts for all financial resources and expenditures that are not covered in one of the other funds.

**Enterprise funds** are used to account for a city's business activities that receive a major portion of their funding from user charges.

- (1) Utility Fund**
- (2) Airport Fund**
- (3) Storm Water Fund**

**Special revenue funds** are used to account for revenue that is earmarked by law or by city policy for specific purposes.

- (1) Tourism Fund**
- (2) Hotel Event Center Fund**
- (3) Impact Fee Fund**
- (4) Public Private Partnership Fund**
- (5) Kaufman County Tax Increment Fund**
- (6) City Power Center Fund**
- (7) County Power Center Fund**
- (8) Asset Seizure Fund**
- (9) Police Federal Awards Fund**
- (10) Court Security Fund**
- (11) Court Technology Fund**

- (12) **Park Development Fund**
- (13) **Youth Recreation Fund**
- (14) **Grant Funds**
- (15) **Donation Fund**

**Capital projects funds** account for all financial resources and expenditures for the acquisition or construction of major capital facilities.

- (1) **Capital Improvement Fund**
- (2) **Utility Capital Reserve Fund**
- (3) **Airport Capital Fund**
- (4) **Certificate of Obligation Fund**

**Debt service funds** account for money set aside to pay the principal and interest on long-term debt.

- (1) **Interest and Sinking Fund No. 1 Taxable Debt.**
- (2) **Interest and Sinking Fund No. 2 Revenue Debt.**

**Internal service funds** are used to account for revenue and expenses for services rendered by one city department to another.

- (1) **Equipment Replacement Funds**
- (2) **Self-Insurance Fund**
- (3) **Information Technology Fund**

## **6.0 Revenues**

- A. To protect the City of Terrell's financial integrity, the City will maintain a diversified and stable revenue system to shelter it from fluctuations in one revenue source.
- B. For every annual budget, the City of Terrell shall levy two property tax rates: operation/maintenance and debt service. The debt service levy shall be sufficient for meeting all principal and interest payment associated with the City's outstanding general obligation debt for that budget year. The debt service levy and related debt service expenditures shall be accounted for in the Debt Service fund. The operation and maintained levy shall be accounted for in the General Fund. A portion may be designated for special purposes (i.e., Street Maintenance Fund).
- C. The City of Terrell will maintain a policy of levying the lowest tax rate on the broadest tax base. Mandated exemptions will be provided to home owners, senior citizens, and disabled citizens.
- D. The City of Terrell will establish user charges and fees at a level which attempts to recover the full cost of providing the service.
  - 1. User fees, particularly utility rates, should identify the relative costs of serving different classes of customers.
  - 2. The City of Terrell will make every reasonable attempt to ensure accurate measurement of variables impacting taxes and fees (e.g. verification of business sales tax payments, verification of appraisal district property values, accuracy of water meters, etc.)
- E. The City of Terrell will attempt to maximize the application of its financial resources by obtaining supplementary funding through agreements with other public and private agencies for the provision of public services or the construction of capital improvements. The City of Terrell will consider market rates and charges levied by other public and private organizations for similar services in establishing tax rates, fees and charges.
- F. When developing the annual budget, the City Manager shall project revenues from every source based on actual collections from the preceding year and estimated collections of the current fiscal year, while considering known circumstances which will impact revenues for the new fiscal year. The revenue projections for each fund should be made conservatively so that total actual fund revenues exceed budgeted projections.

## **7.0 Operating Expenditures**

- A. Operating expenditures shall be accounted, reported, and budgeted for in the following major categories:

4100	Personal Services
4200	Supplies
4300	Maintenance
4400	Contractual Services
4500	Capital Replacement/Lease
- B. The annual budget shall appropriate sufficient funds for operating, recurring expenditures necessary to maintain established quality and scope of city services.
- C. The City of Terrell will constantly examine the methods for providing public services in order to reduce operating, recurring expenditures and/or enhance quality and scope of public services with no increase to cost.
- D. Personal service expenditures will reflect the minimum staffing needed to provide established quality and scope of city services. To attract and retain employees necessary for providing high-quality service, the City shall maintain a compensation and benefit package competitive with the public and, when quantifiable, private service industries.
- E. Supply expenditures shall be sufficient for ensuring the optimal productivity of City employees.
- F. Maintenance expenditures shall be sufficient for addressing the deterioration of the City's capital assets to ensure the optimal productivity of the capital assets. Maintenance should be conducted to ensure a relatively stable level of maintenance expenditures for every budget year.

- G. The City of Terrell will utilize contracted labor for the provision of city services whenever private contractors can perform at the lowest possible cost.
- H. Existing capital equipment shall be replaced when needed to ensure the optimal productivity of City of Terrell employees.
- I. Expenditures for capital equipment shall be made only to enhance employee productivity, improve quality of service, or expand scope of service.
- J. To assist in controlling the growth of operating expenditures, operating departments will submit their annual budgets to the City Manager within fiscal parameters provided by the City Manager's Office.

## **8.0 Fund Balance**

Fund Balance Policy is a key element of financial stability of the City of Terrell by setting guidelines for maintaining a fund balance; and the maintenance of adequate levels of unassigned fund balance will mitigate financial risk to the City that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and other similar circumstances.

The unassigned fund balance is an important measure of economic stability. A Fund Balance Policy ensures that the City maintains adequate fund balances in the City's various operating funds with the capacity to provide sufficient cash flow for daily needs; secure and maintain investment grade bond ratings; offset significant economic downturns or revenue shortfalls and provide for unforeseen expenditures related to emergencies.

## **9.0 Cash Management and Internal Controls**

- A. Written guidelines on cash handling, accounting, segregation of duties, and other financial matters shall be maintained.
- B. Each department director shall ensure that departmental procedures are adequate to safeguard City funds.
- C. Staffing and training shall be reviewed periodically to ensure adequacy.
- D. Daily deposits of City cash shall be performed.
- E. The timing and amount of cash needs and availability shall be systematically projected in order to maximize interest earnings from investments.
- F. The City's investment portfolio shall be managed in accordance with the Public Funds Investment Act and the City's Investment Policy.
- G. The City shall conduct periodic reviews of Internal Controls and Cash Handling Procedures.

## **Definitions**

*Fund Equity* – A fund’s equity is generally the difference between its assets and its liabilities.

*Fund Balance* – The fund equity of a governmental fund for which an accounting distinction is made between the portions that are spendable and nonspendable. Fund balance is classified into five categories:

- 1) **Nonspendable fund balance** – includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans, or prepaids) or because they must remain in-tact such as the principal of an endowment.
- 2) **Restricted fund balance** – includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.
- 3) **Committed fund balance** – includes the portion of net resources upon which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a *formal action* of the City Council. Commitments may be changed or lifted only by the Council taking the same *formal action* that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- 4) **Assigned fund balance** – includes the portion of net resources for which an *intended* use has been established by the City Council or the City Official authorized to do so by the City Council. Assignments of fund balance are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.
- 5) **Unassigned fund balance** – includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

## ***Policy***

### ***Committed Fund Balance***

The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at the City's Council meeting. The resolution must either be approved or rescinded, 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 (i.e. the Council may approve the calculation or formula for determining the amount to be committed).

### ***Assigned Fund Balance***

The City Council authorizes the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose as approved by this fund balance policy.

### ***Minimum Unassigned General Fund Balance***

The City's goal is to budget an unassigned fund balance in the general fund equal to 60 days of expenditures. The City considers a balance of less than 8.00% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

### ***Minimum Unassigned Utility Fund Balance***

The City's goal is to budget an unassigned utility fund balance in the utility fund equal to 120 days of expenditures. The City considers a balance of less than 16% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned utility fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

### ***Replenishment of Minimum Fund Balance Reserves***

If either the unassigned general fund balance or the unassigned utility fund balance unintentionally falls below the targets above or if it is anticipated that at the completion of any fiscal year either the projected unassigned fund balance will be less than the minimum requirement, the City Manager shall prepare and submit a plan to restore the minimum required level as soon as economic conditions allow. The plan shall detail the steps necessary for the replenishment of fund balance as well as an estimated timeline for achieving such.

These steps may include, but are not limited to, identifying new, nonrecurring, or alternative sources of revenue; increasing existing revenues, charges and/or fees; use of year end surpluses; and/or enacting cost saving measures such as holding

capital purchases, reducing departmental operating budgets, freezing vacant positions, and/or reducing the workforce. The replenishment of fund balance to the minimum level shall be accomplished within a three-year period. If restoration of the reserve cannot be accomplished within such a period without severe hardship to the City, then the Council shall establish an extended time line for attaining the minimum balance.

### ***Order of Expenditure of Funds***

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

### ***Appropriation of Unassigned Fund Balance***

Appropriation from the minimum unassigned fund balance shall require the approval of the Council and shall be utilized only for one-time expenditures, such as capital purchases, and not for ongoing expenditures unless a viable revenue plan designed to sustain the expenditure is simultaneously adopted.

The Council may appropriate unassigned fund balances for emergency purposes, as deemed necessary, even if such use decreases the fund balance below the established minimum.

### ***Monitoring and Reporting***

The Director of Finance shall be responsible for monitoring and reporting the City's various reserve balances. The City Manager is directed to make recommendations to the Council on the use of reserve funds both as an element of the annual operating budget submission and from time to time throughout the fiscal year as needs may arise.

Compliance with the provisions of the policy shall be reviewed as a part of the annual operating budget adoption process and subsequent review will be included in the annual audit and financial statement preparation procedures.

## **9.0 Fund Transfers**

- A. Fund transfers may occur when surplus fund balances are used to support non-recurring capital expenses or when needed to satisfy debt service obligations.
- B. Fund transfers are used to pay for general and administrative costs in the General Fund and to charge franchise fees to Proprietary Funds.

## **Debt Expenditure Policy**

- A. The City of Terrell will issue debt only to fund capital projects, which cannot be supported by current, annual revenues.
- B. To minimize interest payments on issued debt, the City will maintain a rapid debt retirement policy by issuing debt with maximum maturities not exceeding 30 years. Retirement of debt principal will be structured to ensure constant annual debt payments.
- C. The City of Terrell will attempt to maintain base bond ratings (prior to insurance) of AA2 (Moody's Investors Service) and AA (Standard & Poor's) on its general obligation debt. The City shall continue to seek to enhance its credit quality by frequent contact and visits with the rating agencies, and monitoring the current trends and guidance from the agencies.
- D. When needed to minimize annual debt payments, the City of Terrell will obtain insurance for new debt issues.
- E. In order to minimize the impact of debt issuance on the property tax rate and to assist the City in meeting its arbitrage requirements, the City will consider the sequential sale of bonds for the purpose of financing capital projects.

## **Debt Management Policy**

### **A. Policy**

Adherence to a debt management policy helps ensure that the City maintains the current or an improved bond rating in order to minimize borrowing costs and preserve access to credit.

The City's Debt Management Policy ("the Debt Policy") provides guidance for staff to:

- a. Ensure high quality debt management decisions;
- b. Ensure support for debt issuances both internally and externally;
- c. Impose order and discipline in the debt issuance process;
- d. Promote consistency and continuity in the decision making process;
- e. Ensure that the debt management decisions are viewed positively by rating agencies, investment community and taxpayers; and
- f. Demonstrate a commitment to long-term financial planning objectives.

### **B. Scope**

This Policy applies to all debt instruments issued by the City regardless of the funding source. Funding sources can be derived from, and debt secured by, ad valorem taxes, general City revenue that may be identified for appropriate pledging for bonded indebtedness.

### **C. Objectives**

The primary objectives of this Policy is to ensure that the City establishes and maintains a solid position with respect to its debt service and bond proceed funds, and that proceeds from long-term debt will not be used for current operations but rather for capital improvements, and related expenses, and other long-term assets in accordance with State law and City ordinances.

The City will seek all possible federal and state reimbursement for mandated projects and/or programs. The City will pursue a balanced relationship between issuing debt and pay-as-you-go financing as dictated by prevailing economic factors and as directed by the City Council.

Other objectives include:

- a. Bonds shall be paid back within a period not to exceed, and preferably sooner than, the expected useful life of the capital project;

- b. Decisions shall be made based on a number of factors and will be evaluated against long-term goals rather than a short-term fix; and
- c. Debt service and bond proceed funds shall be managed and invested in accordance with all federal, state and local laws and in conjunction with the Tax Compliance Certificate of each bond issue to assure availability to cover project costs and debt service payments when due.

#### **D. Implementation**

The Policy requires:

- a. Payments of principal and interest on all outstanding debt in full and timely manner;
- b. Incurrence of debt for those purposes permissible under State law and charter of the City;
- c. Development, approval and financing of capital improvements in accordance with City Code and the capital improvement budgeting process;
- d. Structuring of principal interest retirement schedules to: (1) achieve a low borrowing cost for the City, (2) accommodate the debt service payments of existing debt, and (3) respond to perceptions of market demand;
- e. Selection of a method of sale that shall maximize the financial benefit to the City;
- f. Effective communication with bond rating agencies to ensure complete and clear understanding of the credit worthiness of the City; and
- g. Full, complete, and accurate disclosure of financial conditions and operating results in every financial report, bond prospectus and Annual Information Statement (“AIS”). All reports shall conform to guidelines issued by the Government Finance Officers Association (“GFOA”), Securities and Exchange Commission (“SEC”), and the Internal Revenue Service (IRS) to meet the disclosure needs of rating agencies, underwriters, investors, and taxpayers.

#### **E. Structure of Debt**

Debt service shall be structured to the greatest extent possible to:

- a. Match projected cash flows and pledged revenues;
- b. Minimize the impact of future tax levies;
- c. Maintain a consistent and as rapid as feasible payment of principal;
- d. Maintain a level overall annual debt service payment structure; and
- e. Equal the lesser of the useful life of the asset being financed or the maximum legal maturity for the obligations issued to finance the acquisition and construction of the asset.

#### **F. Methods of Sale**

The City’s debt obligations may be sold by competitive, auction, negotiated or private placement sale methods. The selected method of sale depends upon the option which is expected to result in the lowest cost and most favorable terms to the City given the financial structure used, market conditions, and prior experience. When considering the method of sale, the City may consider the following issues:

- a. Financial conditions;
- b. Market conditions;
- c. Transaction-specific conditions;
- d. City-related conditions;
- e. Risks associated with each method;
- f. Complexity of the Issue-Municipal securities with complex security features require greater marketing and buyer education efforts on the part of the underwriter, to improve the investors’ willingness to purchase;
- g. Volatility of Bond Yields- If municipal markets are subject to abrupt changes in interest rates, there may be a need to have some flexibility in the timing of the sale to take advantage of positive market changes or to delay a sale in the face of negative market changes; and
- h. Size of the Issue- The City may choose to offer sizable issues as negotiated sales so that pre-marketing and buyer education efforts may be done to more effectively promote the bond sale.

## **G. Competitive Sale**

In a competitive sale, bonds are awarded in a sealed bid sale to an underwriter or syndicate of underwriters that provides the lowest TIC bid. TIC is defined as the rate, which will discount the aggregate amount of debt service payable over the life of the bond issue to its present value on the date of delivery.

## **H. Auction Sale**

In an auction sale, bonds are awarded to an underwriter or underwriting syndicate that provides the lowest TIC bid after the auction period is up. TIC is defined as the rate, which will discount the aggregate amount of debt service payable over the life of the bond issue to its present value on the date of delivery.

## **I. Negotiated Sale**

In a negotiated sale, the City chooses an underwriter or underwriting syndicate that is interested in reoffering a particular series of bonds to investors. The terms of the sale, including the size of the underwriter's discount, date of sale, and other factors, are negotiated between the two parties.

## **J. Private Placement**

A private placement is a negotiated sale of debt securities to a limited number of selected investors including financial institutions or government agencies or authorities. The City may engage a placement agent to identify likely investors if deemed necessary. A private placement may be beneficial when the issue size is small, when the security of the bonds is somewhat weaker, or when a governmental lending agency or authority can provide beneficial interest rated or terms compared to financing in the public market.

## **K. Refunding of Debt**

All forms of refunding debt shall be approved by Council in accordance with City ordinances and in accordance with State law.

### **a. Taxable Advance Refunding**

Taxable advanced refunding and forward delivery refunding transactions for savings may be considered when the net present value savings as a percentage of the par amount of refunded bonds is approximately three percent.

### **b. Current Refunding**

Current refunding transactions issued for savings maybe considered when the net present value savings as a percentage of the par amount of refunded bonds is approximately three percent.

### **c. Refunding for Debt Restructuring**

From time to time, the City may also issue refunding debt for other purposes, rather than net present value savings, such as restructuring debt, changing covenants, or changing the repayment source of the bonds.

## **L. Debt Metrics**

The City will target the following debt metrics.

- a. I&S tax rate equal to or less than 30% of the overall tax rate
- b. Overall Net City Debt as a % of Market Value of less than 5%

## **M. Ratings**

Adherence to a debt management policy helps ensure that the City maintains the current or an improved bond rating in order to minimize borrowing costs and preserve access to credit. Toward that end, the City will take the following steps.

- a. Strive to maintain good relationships with bond rating agencies as well as disclose financial reports and information to these agencies and to the public.
- b. Obtain a rating from at least one nationally recognized bond-rating agency on all issues being sold in the public market.
- c. Make timely disclosure of annual financial information or other requested information to the rating agencies.

#### **N. Continuing Disclosure**

The City will take all appropriate steps to comply with federal securities laws, including, but not limited to, Securities and Exchange Commission (“SEC”) Rule 15c2-12 the (“Rule”). The City will make annual and event disclosure filings to the MSRB via EMMA as required by the Rule and its continuing disclosure undertakings.

#### **O. Debt Management Policy Review**

This Debt Management Policy shall be reviewed at least once every two years by the City Council. Any modifications to this Policy, at any time, shall be approved by City Council.

## **Capital Project Expenditures Policies**

- A. The City of Terrell will develop a multi-year plan for capital projects which identifies all projects likely to be constructed within a five year horizon. The multi-year plan will reflect for each project the likely source of funding and attempt to quantify the project's impact to future operating expenditures.
- B. Capital projects will be constructed to:
  - 1.) Protect or improve the community's quality of life.
  - 2.) Protect or enhance the community's economic vitality.
  - 3.) Support new development.
  - 4.) Provide significant rehabilitation of City infrastructure for sustained service.
- C. Capital project expenditures will not be authorized by the City Council without identification and commitment of revenue sources sufficient to fund the improvement. Potential funding sources include, but are not limited to, reserve funds, debt issuances, matching funds revenues, user fees, grants, or reallocation of existing capital funds with the recognition that construction of previously authorized capital projects may be delayed or postponed.
- D. Capital Improvement Planning and Programming shall include the following categories for the determination of funding for individual projects: design costs, right-of-way costs, utility construction/adjustment costs, construction costs, appropriate contingency funds, furnishings and equipment, and direct project administration services provided by City employees or outside forces.
- E. Cost incurred for advanced planning of capital projects may be funded from reimbursement of appropriate debt or operating funds.
- F. The City will fund the entire cost of proposed projects in debt proposals, without relying on matching funds from other agencies or entities unless said matching funds are designated and available for use at the time of the issuance of the debt. Matching funds received for a project that is fully funded by a debt issuance shall be applied to debt service and shall not be used to fund additional capital projects.
- G. To minimize the issuance of debt, the City of Terrell will attempt to support capital projects with appropriations from operating revenues or excess fund balances (i.e., "pay-as-you-go").

## **Utility Capital Expenditures**

- A. Utility rates are designed to provide for a depreciation reserve which accumulates resources to replace or rehabilitate aging infrastructure. In addition, the multi-year financial plan provides debt strategies to finance needed capital items.
- B. Inasmuch as roads and other components are essential to extending utility service, revenues in excess of anticipated current year needs will be reserved for future road improvements and related infrastructure projects at year-end. This will assure that infrastructure costs are funded along with utility projects.

## **Long-Term Financial Plan Policy**

**Objective:** The City's Long-Term Financial Plan is designed to help the City anticipate and project future revenues and expenditures in the General Fund and serve as a guide/management tool for City Administration when evaluating financial decisions that affect the City. It is meant to address maintenance and operations, and when combined with the Long-Term Capital Plan, capital improvements as well. To this point, the maintenance and operations (M&O) and interest and sinking (I&S) tax rates necessary to cover the day-to-day operations of the City and to cover the City's debt payments are projected. The Long-Term Financial Plan covers a period of five years. The current Long-Term Financial Plan is attached.

**Review:** City Council will review and approve the Long-Term Financial Plan every year during the budget process. However, review of and changes to the Long-Term Financial Plan may be made during the fiscal year as needed.

**Assumptions:** City Staff will review update the assumptions at least annually. Following is the basis for certain assumptions:

### **Revenues**

- Projected future taxable assessed valuations will be based on conservative growth rates, taking into account factors such as building permits, development agreements put in place, commercial and retail growth, etc.
- Sales tax projections will be based on historical trends, as well as new commercial and retail activity generated within the City.
- Other revenue projections will be based on historical trends, as well as conservative growth rates.
- One-time revenues are matched with one-time expenses
- Fund reserve requirements for cash balances

### **Expenses**

- Expenditure growth rates will be based on historical trends, as well as taking into account inflation rates.
- Projections will take into account potential future personnel costs
- Projections will take into account potential cash funded (non-debt) capital costs

## **Long-Term Capital Plan Policy**

Objective: The City's Long-Term Capital Plan is designed to help the City anticipate the project future capital needs, including construction, renovation and repairs, and providing equipment to various City departments. The Long-Term Capital Plan covers a period of ten years, recognizing that capital needs will change depending on demands related to growth, tax values, etc.

Review: City Council will review and approve the Long-Term Capital Plan every year during the budget process. However, review of and changes to the Long-Term Capital Plan may be made during the fiscal year as needed.

Assumptions: City Staff will review and update the assumptions at least annually. Following is the basis for certain assumptions:

- Debt will only be issued for projects that have at least a five-year average life, and in the vast majority of cases the average life will be substantially longer.
- The City will amortize debt at least as quickly as the average life of the asset that is being funded.
- It is the City's intent to fund capital items with fixed rate debt.
- The City's financial advisor will provide updated debt schedules at least annually based on the project included in the Long-Term Capital Plan in order to forecast the aggregate amount of debt service and the associated interested and sinking (I&S) tax rate, water and sewer rates and/or other revenues needed to service the debt.
- The Long-Term Capital Plan will cover funding for projects anticipated to be repaid with I&S taxes, as well as project funding anticipated to be repaid with water, sewer and/or drainage revenues. In certain instances, debt may be repaid with other sources and will be noted as such.

**Financial Policy Manual**  
**CASH HANDLING POLICY AND PROCEDURE**

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## **City of Terrell**

### **Financial Policy Manual**

#### **CASH HANDLING POLICY AND PROCEDURE**

##### **1.0 PURPOSE OF POLICY AND PROCEDURE:**

The Cash Handling Policy and Procedure provides City of Terrell employees with guidelines on handling cash from the initial point of collection through depositing and the reconciliation process.

A well founded Cash Handling Policy and Procedure is critical to safeguard the liquid assets of the City of Terrell. It provides a sound basis for generating accurate and reliable information and encourages adherence to federal and State of Texas laws and regulations. It promotes departmental efficiency and encourages employees who handle cash and interface with the public to provide courteous and outstanding customer service and support.

##### **1.1 APPROVAL OF PROGRAMS AND LOCATIONS FOR THE COLLECTION OF CASH**

(a) The following City sites are approved for the collection of cash, and the retention of a cash balance (start-up cash) in a secure location:

- City Hall -
  - Utility Office
  - Municipal Court
  - Police Department
  - Municipal Development
- Animal Shelter
- Animal Shelter Special Events
- Parks and Recreation -Pool
- Parks and Recreation -Special Events
- Library

(b) Authority to collect cash at additional City sites may be granted by the Finance Director with approval from the City Manager. Departmental requests for authority to collect cash should be in memo form and should include the purpose of the cash collection, the estimated average daily cash to be collected and the cash balance/start-up cash to be retained at the site. Initial cash balance/start-up cash should be submitted with the request.

c) Authority to increase an existing cash balance/start-up cash fund may be granted by the Finance Director. Requests to increase an existing cash balance/startup cash fund should be in memo form and should include the purpose of the increase.

d) Authority to establish a new cash collection site or to increase a cash balance/start-up cash fund under the direct control of the Finance Director may be granted by the City Manager.

##### **2.0 BASIC CASH HANDLING PRINCIPLES AND INTERNAL CONTROLS:**

Effective internal controls during the entire cash handling process from cash collection to bank depositing are necessary to prevent mishandling of City funds and are designed to safeguard and protect employees from inappropriate misconduct charges of mishandling funds by defining their duties and responsibilities. Volunteer Organizations see section 7.0

An essential element of internal control over cash is segregating duties among different employees for the handling and reconciling of cash and maintaining accurate accounting records. The following basic five (5) cash processing functions should be spread among different employees:

- 1) collecting cash
- 2) depositing cash
- 3) recording cash in the accounting records
- 4) balancing and reconciling daily cash received to cash receipts issued to payers, and
- 5) reconciling bank accounts to the general ledger

If the above duties cannot be appropriately segregated among different employees, it is important to increase supervisory reviews and oversight of all cash handling activities.

All City of Terrell employees who handle cash transactions are required to strictly adhere to the Cash Handling Policy and Procedure. Additionally, all employees who are authorized to handle cash transactions must first be trained in the following disciplines before they begin handling cash transactions:

- general City of Terrell personnel and operating policies and procedures,
- departmental operations,
- customer service,
- how to handle money,
- security and the use of departmental forms,
- types of money collections and amounts to be collected (i.e. cash-coins and currency, checks, money orders and credit cards.)

Acceptable payment methods (i.e. cash, check, money order, etc.) shall be posted at each cashier clerk's station. Currency denominations that are not accepted shall also be posted.

All monies shall be deposited with the Finance Department and secured in the accounting office vault. City of Terrell monies shall not be commingled with or used in the following ways:

- employees personal money,
- cashing employee personal checks,
- employees using City monies to make personal change, or
- combining deposits on a single report.

**NOTE:** The *general public and non-authorized employees* are not permitted in areas where cash transactions occur.

### **3.0 EMPLOYEES AND OFFICERS FIDELITY BONDS:**

Fidelity bonds, issued by a surety company authorized to do business in the State of Texas, shall cover all City of Terrell employees and officers handling cash transactions. Fidelity bonds protect the City against employee theft, larceny or embezzlement of money or property. The fidelity bond requirement serves as an incentive to encourage the City to hire job seekers who might otherwise be denied employment.

### **4.0 CASH BOXES:**

(a) Cash boxes should be accessible only by the city employees handling cash and checks.

(b) Cash should be physically protected during business hours through the use of a lockable cash drawer. Cash drawers must be locked whenever left unattended.

(c) Keys to cash boxes should be kept in a secure location, accessible only by staff authorized to collect cash and their immediate supervisor(s). A written record of employees having keys should be maintained by the Department.

(d) At a predetermined time each day the cash balance/start-up funds (Start-up funds shall be limited to 100.00) should be segregated from cash collected, and a deposit prepared. Completed deposits shall be deposited at the bank.

At the end of the business day, cash box should be locked and placed in a secure location.

(e) A supervisor shall conduct periodic audits to verify the amount in cash boxes.

(f) Cash maintained on City premises after business hours must be held in a safe that is secured to the building or wall, or placed in the vault in located in the Finance Office.. Cash may not be retained in desk drawers or standard file cabinets, since they are easily accessed with minimal forcing or readily available keys.

## **5.0 CASH COLLECTIONS, RECEIPTS AND RECONCILIATIONS:**

### **5.1 Cash Collected In Person:**

Cash received in person from a payer by a City employee shall be kept in view of and counted in front of the payer until the receipt is issued to the payer and the payer is satisfied. The City employee shall count change due to the customer/payer twice - once to himself and once back to the payer.

A receipt represents proof of payment and employees shall issue a receipt for every payment they receive. Receipts are computer-generated and each receipt shall indicate the payment method (i.e. cash, check, money order, etc.). Payments are entered in the Receiving Entry Screen in the Harris Open-Window Financials Computer Software System. A separate receipt shall be issued for cash received for each fund.

Checks must be made payable to the City of Terrell. The City cannot accept third-party checks. Employees should review checks carefully to determine the legal amount of the check. If the numeric amount on the check differs from the written amount, the written amount prevails as the legal amount. If the check includes only a numeric amount, the numeric amount is the legal amount. Employees are not permitted to change any amounts on a check; however, employees may add text to clarify the legal amount. For example, employees may write "*see legal*" next to numeric amounts that differ from written amounts.

Employees should also examine checks for required signatures. If on the face of the check one or more signatures are demanded, the required signatures must be present in order to accept the check. Checks without signature requirements may be accepted without a signature, although there is no guarantee the check will clear the bank processing system. When accepting checks in person, employees should review the check for completeness and consistency of numeric/written amounts and request corrections from the maker at the time of payment. This procedure will increase the likelihood of collecting on checks presented for payment.

#### **Returned Checks:**

Checks that have been deposited may be returned by the bank for several reasons:

- insufficient funds
- missing signature
- stop payment
- account closed

- stale-dated

Banks will typically resubmit a returned check one more time if it was returned for insufficient funds. However, if the reason for the return is that a stop payment was placed on the check, the account is closed, the signature is missing or the check is stale-dated, the bank deposits the check only once and then returns the check to the City.

The City mails a letter advising the maker:

- that the check was returned by the bank,
- provides the reason for the return, and
- requests the maker to personally make a trip to the applicable City department to pickup the returned check and pay the deficiency in cash or money order along with a \$35.00 return check fee.

The City reserves the right to interrupt services (e.g. utility) and may pursue other available legal remedies as needed by the affected City department if the maker does not pay the deficiency.

All checks must be restrictively endorsed immediately with a stamp that bears the following information:

**FOR DEPOSIT ONLY**  
**City of Terrell**  
**Account No. XXXXXX**  
**RETURN CHECK ACCOUNT**  
**ZZZZZZ**

Cash and checks shall be secured in the employee **cash box** until the bank deposit is prepared. A bank deposit that includes all of the previous day's cash collections for all departments is hand-delivered to the bank each **morning** day by the Utility Billing Supervisor.

**5.2 Checks Received By Mail and Drop Box:**

A designated employee retrieves and opens customer mailed check payments from the mailroom each morning. All checks are immediately endorsed with a stamp that bears the restrictive endorsement information noted in the preceding section 5.1. Payments are then entered and receipts are generated. Receipts for payers who mailed in their payments or placed them in the drop box are mutilated and destroyed.

All checks, money orders and cashier's checks received by mail and drop box shall not be commingled with daily cash received in person. All checks received by mail and drop box shall be processed with a separate computer receipting batch before the bank deposit is made and separately noted on the daily reconciliation form. All checks shall be secured in the employee cash boxes until the bank deposit is prepared.

**5.3 Reconciliations:**

Each employee assigned to collect money cash checks or credit cards, shall prepare a daily reconciliation of his/her cash box. Money amounts received, receipts issued and actual monies deposited must be reconciled each day. The Department Supervisor or his designee shall review and approve all reconciliations.

The total of all cash, checks, money orders and credit card received must equal the total amount of receipts issued to customers. A Notice of Error Statement—Cash Overage or Shortage Form (Schedule A) must be prepared and given to the Department Director and Finance Director in the event of a money overage or shortage discrepancy. This Form must contain the date, employee's name, type of payment, overage or shortage amount, explanation as to what caused the error(s) and be signed by the applicable employee and Department Director.

## **6.0 MISCELLANEOUS:**

### **6.1 Major Sources of Cash Received In Person or By Mail or Drop Box:**

The Utilities, Municipal Court and Municipal Development Departments provide the major sources of cash received by the City **in person, by mail or by drop box.**

The following items represent a partial listing of the various types of revenues generated from the aforementioned three (3) Departments as well as other City departments:

- utility (water, sewer and refuse)
- Municipal Court fees and fines
- airport hangar rental fees
- hotel/motel occupancy taxes
- alarm permits
- beer and wine permits
- pavilion rental fees
- dump permits
- solicitors permits
- library fees
- building permits
- water meter permits
- culvert permits
- impact fees
- mowing fees
- demolition of substandard house
- rental property inspections
- zone change applications fees
- plat fees
- animal control registrations, boarding and adoption fees
- accident reports
- offense reports
- background check reports

## **7.0 CASH HANDLING FOR VOLUNTEERS**

The Cash Handling Policy and Procedure provides City of Terrell Volunteers with guidelines on handling cash from the initial point of collection through depositing and the reconciliation process. All volunteers handling cash shall be approved by the Department Director

1. Department Director shall notify the Finance Department of the Volunteer Fund-Raising Activity, Event or Volunteer assignment to handle cash on behalf of the city.

Note the following information in your request:

- a. Type of activity (i.e. National Pet Adoption Day Library Desk etc..).
- b. Date(s) of the event or length of Volunteer Fund-Raising Activity, Event or Volunteer assignment to handle cash on behalf of the city.
- c. City employee(s) assigned to supervise the Volunteer Fund-Raising Activity, Event or Volunteer assignment to handle cash on behalf of the city.

2. Where no City Employee participates at a Fund Raising Activity or Event, the Department Director shall assign two volunteers to accept and enter all money collected during the Volunteer Fund-Raising Activity or Event. The Department Director shall issue a cash receipts log.

Volunteers shall;

- (a) Issue a receipt for all transactions cash, or checks. Each receipt written shall have the event name on the receipt.
- (b) Ensure checks are made payable to City of Terrell
- (c) Restrictively endorse all checks with:

**FOR DEPOSIT ONLY**  
**City of Terrell**  
**Account No. XXXXXX**  
**RETURN CHECK ACCOUNT**  
**ZZZZZZ**

### **3. VOLUNTEER EVENT CASH BOXES**

- (a) Cash boxes should be accessible only by the volunteers handling cash and checks. The Finance Department shall provide Volunteer groups with their own lockable cash box.
- (b) Cash should be physically protected during business hours. The Cash box must be locked and shall never be left unattended.
- (c) Keys to cash boxes shall be kept in a secure location, accessible only by volunteers authorized to collect cash. A written record of volunteers having keys should be maintained by the Department.
- (d) Where possible deposits shall be prepared and deposited at the bank. This task shall require the presence of two volunteers assigned to handle cash. At a predetermined time each day the cash balance/start-up funds (Start-up funds shall be limited to 100.00) should be segregated from cash and checks collected and deposited at the bank. Deposit slips shall be provided by the Finance Department.

4. The Department Head or his designee shall collect any un-deposited cash and checks, deposits and receipt log from the volunteers at the end of the fundraising activity. City employees collecting funds from volunteers shall verify cash in the presence of the volunteer turning in cash.

Cash, checks and deposit records from Fund Raising Activities or Events must be sent to the Department Head or his designee within two days of completion of the event, or receipt of the money. All Cash, checks and deposit records shall be sent to the Finance Department.

**VOLUNTEER CASH HANDLING  
TRAINING AND AGREEMENT  
FOR  
THE CITY OF TERRELL, TEXAS**

The City of Terrell, Texas is pleased you have elected to support the Organization by volunteering your time. Your training in Cash Handling for Volunteers represents the City's trust in you and your empowerment as a responsible person to safeguard and protect our assets.

I, \_\_\_\_\_, hereby acknowledge receipt of a City of Terrell, Texas Cash Handling for Volunteers training and policy. I agree to comply with the policy and with the terms and conditions of this Agreement.

I acknowledge receipt of said Agreement and the Cash Handling for Volunteers policy and confirm that I have read and understand the policy. I understand and agree that I may be held liable for any missing money due to improper or fraudulent use.

I agree to use cash provided by the City only for the purposes for which it is intended. I will not co-mingle any personal cash with the cash provided by the City. I will not allow un-authorized person(s) to have access to any cash box assigned to me. I understand that the City will audit the Cash Box assigned to me and I shall report any discrepancies to the City immediately upon discovery.

I further understand that improper or fraudulent use of the City's money, may cause the City to take any and all reasonable action necessary, including criminal prosecution if necessary to recover funds taken as a result of improper or fraudulent use.

I understand that the City may terminate my status as a volunteer at any time if I violate any part of the Cash Handling Policy for Volunteers.

Volunteer

Signature\_\_\_\_\_

Date\_\_\_\_\_

Department Head Authorization \_\_\_\_\_ Date \_\_\_\_\_

**City of Terrell**  
**Financial Policy Manual**  
**PURCHASING POLICY AND PROCEDURE**

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**City of Terrell**  
**Financial Policy Manual**

**PURCHASING POLICY AND PROCEDURE**

**1.0 POLICY STATEMENT:**

Being an employee of the City of Terrell is a public trust. It is the City's policy to promote and balance the objective of protecting the City's assets and integrity while recruiting and retaining qualified public service personnel who are expected to perform their job functions with the highest standards of ethical conduct. City employees should conduct themselves in such a manner as to foster public confidence in the City of Terrell's governance.

City employees who are empowered with purchasing authority are particularly in positions of trust, confidence and responsibility and it is their duty to obtain the best value for the materials, equipment and services that they purchase and maintain the highest ethical standards when dealing with vendors and suppliers. The value of a purchase includes price, quality and service.

It is the City of Terrell's goal to ensure that:

- Responsible bidders are given a fair opportunity to compete for the City's business. This is done partially by the Texas Statutory requirements for some goods/services to be purchased through competitive bidding and proposals and partially by the procedures setup through the City's Purchasing Policy and Procedure.
- Public funds are safeguarded.
- The best value possible is received for the public dollar, and
- Public spending is not used to enrich elected City Officials or employees or to confer favors by them on favored constituents.

**2.0 PURPOSE OF POLICY AND PROCEDURE:**

The Purchasing Policy and Procedure provides the necessary basic instructions, guidelines and information for the procurement of equipment, materials, supplies, services, rentals, leases, independent contractor agreements and other goods or services for the City of Terrell. The efficiency and effectiveness of any public and private sector purchasing program is founded on sound principles of management decision-making. This Purchasing Policy and Procedure defines basic principles of purchasing and is incorporated into the City's Financial Policy Manual.

A **Purchase Order** document initiates the purchasing and procurement process. Please refer to Section 7.0, "**HOW TO ISSUE A REQUISITION/PURCHASE ORDER**" for an explanation on how to initiate and make a purchase through the purchase order system.

### **3.0      BASIC PRINCIPLES OF PURCHASING AND INTERNAL CONTROLS:**

The City of Terrell utilizes comprehensive checks and balances to ensure the propriety of the Purchasing Policy and minimize risks and errors and the possibility of collusion and fraud. Some of the basic purchasing principles and goals that City employees should be aware of include:

- New vendors/suppliers are investigated and evaluated.
- New vendors/suppliers are approved before adding to vendor Master File List.
- Competitive prices are evaluated and obtained.
- Obsolete vendors or those that are no longer used are deactivated and purged from the vendor Master File List.
- Purchases are made with the appropriate level of authorization and approval.
- Purchase Orders are properly authorized and prepared.
- Purchases that exceed a department's budget are prohibited.
- Accounts payable disbursements are made with the proper approval.
- Receipt, custody and verification of goods and services is documented.
- Prices charged on vendor/suppliers' invoices match the Purchase Order or pricing program.
- All emergency purchases must be fully justified to eliminate the unnecessary use of emergency purchases for non-emergency situations whenever possible and procedures must be implemented to track emergency purchases so any misuse of this nature can be easily detected.
- Amounts that are recorded in or disbursed from accounts payable match the approved vendor/supplier invoice(s).
- Volume purchase discounts should always be taken whenever available.
- Duplicate vendor/supplier invoice numbers are not allowed to be recorded in the accounts payable program.
- The accounts payable program does not allow an invoice number to be paid more than one time.
- Outstanding credit memos should be routinely reviewed and applied to current or future vendor/supplier invoices.
- Vendor/supplier invoices are coded to the correct general ledger account.
- Purchases that have been made are always recorded in the accounts payable program and paid on a timely basis.
- When accounts payable disbursements are made, checks are printed and shown as paid.
- Manual check payments are recorded in the general ledger.
- Payments are recorded in the proper accounting period.
- The accounts payable purchase details are summarized, posted to the general ledger and are in balance with one another.
- The accounts payable disbursement details are summarized, posted to the general ledger and are in balance with one another.
- Accounts payable duties and responsibilities are effectively segregated to minimize the risk of collusion or fraud.
- Whenever possible the City should participate in cooperative joint-purchasing programs with other public-sector entities to achieve cost savings through volume discounts.
- Personnel who are authorized to purchase must ensure that the State of Texas bidding and purchasing laws and standards are carefully and scrupulously followed.

Each department head must make sure that the foregoing principles and guidelines and all other provisions of Purchasing Policy and Procedure are in effect before orders are placed with vendors/suppliers. Additionally, each department head must ensure that adequate supporting documentation is requested and received from vendors/suppliers to completely and accurately describe the goods and/or services purchased and received.

### **3.1 Types of Purchases:**

There are several different types of purchases that can be made by City departments. Since non-routine categories of purchases frequently require more time to process they should be minimized. Some of the different types of purchases include:

- **Non-Stocked Items:**

These are items that are not stocked or warehoused by the City. They may or may not be a standardized item but are not in such constant demand as to be considered a negotiated price quote.

- **Stocked or Warehoused Items:**

These items are in such constant usage by the City that they are routinely stocked and are usually purchased on annual contracts with provisions to replenish stocks as needed. Such items should be standardized to the extent possible.

- **Emergency:**

Emergency purchases are those which are made to meet critical needs of the City in cases where its capacity to serve the public would be impaired if the purchase was not immediately made. Purchases which are designated as emergency are those which would normally be procured through routine procedures, but because of the emergency status are exempt from those procedures.

- **Sole Source:**

Sole source purchases are available from only one supplier for various reasons such as patents, copyrights or because the vendor is the only one which can supply the product or service. These purchases are normally exempt from the bidding requirements. The City may be required to certify that only one supplier is available

A written memorandum must accompany the Requisition/Purchase Order explaining and describing the conditions which make a supplier a **sole (single) source**. Additionally, departments are responsible for soliciting competitive quotations from vendors, therefore any Requisition/Purchase Order with only one quotation attached requires a written explanation.

- **Registrations:**

Registrations for professional conferences, conventions, short schools, seminars and conventions for employees must be authorized by the City Manager and are subject to the City's Travel Policy.

- **Travel:**

Meetings, visits to other cities and special leave expenses for the benefit of the City are subject to the City's Travel Policy.

- **Publications:**

Books, magazines, periodicals and newspapers may be provided for by the City. Departments should coordinate these purchase functions to eliminate duplication. Books are sometimes subject to special rules. Please contact the Finance Director for any questions concerning these special rules.

- **Memberships:**

Memberships in trade or professional organizations are processed through Administration. The membership applications will be justified by the needs of the City and require City Manager authorization.

- **Services:**

Many types of services are needed for the City. The department will procure these services in accordance with State of Texas Statutory Law, including professional services, which may be procured under special rules.

#### **4.0 EMPLOYEE CODE OF ETHICS:**

Many governmental agency activities are continually scrutinized by some sectors of the general public for possible misuse or abuse of public funds, therefore it is imperative to avoid any possibility of misunderstanding, embarrassment, perception of favoritism or unethical behavior or conflict of interests on the part of City employees who are authorized to purchase on the behalf of the City.

City of Terrell employees who are empowered to purchase on behalf of the City occupy a special position of trust and responsibility. In order to avoid the potential problems of unethical behavior, all City employees must strictly adhere to a sound Code of Ethics, which includes the following personal conduct standards, and sign a **Conflict of Interest Statement** (Schedule A).

Employees must strictly adhere to the following Code of Ethics and general ethical standards:

- ✓ Strive to conduct all business with honesty, fairness, integrity and loyalty in accordance with the City's Purchasing Policy and Procedure.
- ✓ Conduct themselves in such a manner as to merit the respect of the City, co-workers, general public and vendors/suppliers.
- ✓ Exercise skill and good judgment to obtain the maximum value for each dollar of expenditure.
- ✓ Consistently practice ethical behavior during the entire purchasing process.
- ✓ Treat with discretion all information obtained in confidence including quotations, pricing and other privileged information.
- ✓ Refuse all gifts and favors from vendors and suppliers.
- ✓ Purchasing should be routinely subjected to competitive evaluation.
- ✓ Settle claims and disputes on the basis of facts and in the spirit of fairness.
- ✓ Report any suspected or known purchasing misuse or abuse to the Finance Director.
- ✓ Strive for standardization to reduce cost and improve efficiency.
- ✓ No personal gain shall be realized by any misconduct or inappropriate actions in the discharge of the employee's duties.
- ✓ It shall be a breach of ethics for any employee or former employee of the City of Terrell to knowingly use confidential information for actual or anticipated personal gain or for the actual or anticipated gain of any person. This Policy provision is applicable to all City employees as well as elected or appointed officials of the City of Terrell.
- ✓ It shall be a breach of ethics to attempt to influence or persuade any employee of the City to violate the standards of ethical conduct as set forth in this Policy.
- ✓ It shall be a breach of ethics for any employee of the City to participate directly or indirectly in a purchase procurement when the employee has knowledge that:
  - a) the employee or any elected or appointed City of Terrell official or any member of their immediate family has a financial interest pertaining to the procurement (Exception: This provision shall not be applicable for minor non-routine purchases that do not exceed \$50.00)
  - b) a business or organization in which the employee or elected or appointed City of Terrell official or their immediate family has a financial interest pertaining to the procurement, or
  - c) any other person, business or organization with whom the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective

employment is involved in the procurement or may benefit in any way from the procurement.

#### **4.1      Gratuities and Kickbacks:**

##### **Gratuities:**

It shall be a breach of ethics to offer, give or agree to give any employee or former employee of the City or for any employee or former employee of the City to solicit, demand, accept or agree to accept from another person a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation or preparation of any part of a program requirement of purchase request influencing the content of any specification of procurement standards, rendering of advice, investigation, auditing or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy or other particular matter pertaining to any program requirement or a contract or subcontract or to any solicitation or proposal therefore pending before the City.

##### **Kickbacks:**

It shall be a breach of ethics for any payment, gratuity or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tiered subcontractor for any contract with the City or any person associated therewith, as an inducement for the award of a subcontract or order.

The foregoing Code of Ethics and personal conduct standards are formally incorporated into the Purchasing Policy and Procedure by the following three ways:

1. formal adoption of the City of Terrell's Purchasing Policy and Procedure by the City Council
2. educating City employees by:
  - a) posting the Purchasing Policy and Procedure in all City departments,
  - b) training personnel authorized to purchase goods and/or services in accordance with the provisions in this Policy, and
  - c) requiring all employees with purchasing authorization to sign a Conflict of Interest Statement (Schedule A) agreeing that they have read and understand the Purchasing Policy and Procedure and agree to abide by its provisions.
3. establishing regular and periodic internal audits to detect non-compliance with the Purchasing Policy and Procedure.

**NOTE:** The prohibition against gratuities and kickbacks that are described above shall be conspicuously set forth in all City of Terrell contracts and solicitations thereof.

#### **5.0      SPENDING AUTHORIZATION REQUIREMENTS:**

**(a)      \$0.01 - \$2,500.00:**

Bids/quotations are not required.

**(b)      \$2,500.01 - \$15,000.00:**

The department director or their designee shall approve all purchases up to \$15,000. Quotations must be solicited which can be accepted via mail, telephone or facsimile.

### **Specifications of Material or Equipment:**

All quotations must include accurate Specifications which includes a complete description of the material or equipment to be purchased and adhere to the following guidelines:

- Keep the specifications as simple as possible but specific enough that a loophole will not allow a vendor to evade any of the intended provisions of the purchase or take undue advantage of the City.
- The item(s) should be identifiable with some brand or specification already on the market.
- The item(s) should be capable of being inspected to assure quality control and permit acceptance or rejection.
- The item(s) should be available by more than a sole vendor. The department shall attempt to contact at least two (2) historically under-utilized businesses if available in the county when making a purchase of more than \$3,000 but less than \$50,000.

(c) **\$15,000.01 - \$49,999.99:**

This range of purchases requires the approval of the Finance Director or Assistant City Manager. Written quotations must be solicited which can be accepted via mail, or facsimile. The **Written Specifications** of material or equipment requirements are the same as listed in the above Section (b).

(d) **Budgeted Transfers From One Fund To Another Fund and Debt Service Payments:**

These require the approval of the Finance Director or Assistant City Manager.

(e) **\$50,000 & Up:**

These purchases require sealed requests for bids/proposals. All bids, except for construction projects, must be processed through the City Secretary. Bids should be developed on City forms then forwarded to the City Secretary's Office for mailing, publishing, opening, rejection and award. All required forms, quotes and requests for proposals or bids shall be submitted with a **Purchase Order**.

Purchases of \$50,000 or higher require the approval of the City Manager. The City Manager may designate an individual to approve items \$50,000 or higher by forwarding an item in the financial system's approval workflow to that specific individual. The forwarding of workflow implicitly grants the City Manager's authority for approval of the item to the individual to which it was forwarded. The approval authority granted by the City Manager applies only to those items which have been forwarded. The City Manager may also designate individuals to approve items in his absence if done so in writing, outlining the circumstances under which the authority is granted.

### **5.1 Competitive Bidding and Competitive Proposal Requirements:**

➤ The City of Terrell must be compliant with the **State of Texas Local Government Code, Section 252.021, "Competitive Bidding and Competitive Proposal Requirements,"** which states: *"Before a municipality may enter into a contract that requires an expenditure of more than \$50,000 from one or more municipal funds, the municipality must comply with the procedure prescribed by this chapter for competitive sealed bidding or competitive sealed proposals."*

There are specified exemptions to the Section 252.021 requirement, therefore if you have a question as to when to request sealed bids/proposals, it is recommended that the purchaser:

- ✓ read the law concerning municipal purchasing,
- ✓ make an inquiry to the Finance Department concerning the proper procedures or
- ✓ request an opinion from the City Attorney through the City Manager's Office

## 5.2 Purchase Orders With Contract Change Orders:

- For original purchase orders less than \$15,000.00, change orders increasing or decreasing the original purchase order by not more than Twenty-Five Percent (25%) shall be approved by the department director or his designee.
- For original purchase orders between \$15,000.00 and the State bidding limit, change orders increasing or decreasing the original purchase order by not more than Twenty-Five Percent (25%) shall be approved by the City Manager or his designee.
- For original purchase orders for bid items approved by the City Council, change orders increasing or decreasing the original contract or bid amount by more than the State authorized level or Twenty-Five Percent (25%) shall be approved by the City Council.
- In no case shall the combined total of all change orders exceed an increase of Twenty-Five Percent (25%) of the original contract amount.

## 5.3 Bid Openings:

All formal bids/proposals shall be submitted to the Finance Director's Office where they are date and time stamped upon receipt. Bid openings are conducted on each Friday starting at 10:00 a.m. at the location specified in the invitation to bid. Vendors and the public are invited and encouraged to attend. Bids/proposals received after the specified date and time deadline are disqualified. Late bids/proposals cannot be considered for award of purchase.

## 5.4 Bidder(s)' Protest Procedure:

### ➤ PROTEST:

A statement of protest, if any, shall be submitted to the City of Terrell's Finance Department for transmittal to and consideration by the City of Terrell. A protest must be submitted in writing and must be supported by sufficient information to enable the protest to be considered. A protest will not be considered if it is insufficiently supported or it is not received within the time limits set forth in the below paragraph entitled TIMELINESS. A protest may be submitted upon the following reasons:

- a protest relating to restrictive procedures, alleged impropriety, or other similar situations arising prior to bid opening, or a protest of the award of contract or alleged impropriety arising after bid opening as set forth in the below section entitled TIMELINESS.

### ➤ TIMELINESS:

To be effective, a protest must be submitted so that it is received by the Contracting Officer by the following deadlines:

- A protest based upon restrictive procedures, alleged impropriety or other similar situations arising prior to bid opening must be received by the City of Terrell's Finance Department no later than five (5) working days prior to the specified bid opening date and may only be protested once.
- A protest of the award of contract or alleged impropriety arising after the bid opening must be received by the City of Terrell's Finance Department within five (5) working days following the earlier of the date on which the bidder knew or the date on which a diligent bidder would have known of the award or alleged impropriety.

## 6.0 CONSTRUCTION CONTRACTOR INSURANCE REQUIREMENTS:

Independent prime and subcontractors (hereinafter referred to as, "CONTRACTOR"), shall secure and maintain insurance that will protect him from claims under the **Workers' Compensation Act** in amount(s) prescribed by the Texas Statutes and from claims for bodily injury, death or property damage which may arise from the performance

of his services under his CONTRACTOR agreement with the City of Terrell. This **Commercial General Liability Insurance** must provide coverage of \$1,000,000 per occurrence and \$2,000,000 annual aggregate for bodily injury, death and property damage, written on an occurrence basis.

CONTRACTOR shall maintain **Comprehensive Automobile Liability** Insurance covering all owned, non-owned and hired vehicles with combined single limit coverage of \$1,000,000 for bodily injury, death or property damage, written on an occurrence basis.

CONTRACTOR shall maintain, at no expense to the City, a **Professional Liability Insurance** policy (i.e. errors and omissions) placed with a company rated at least A-VII by Best's Key Rating Guide authorized to do business in Texas, in an amount not less than \$1,000,000.

All insurance policies, except Workers' Compensation, shall name the City as additional insured. All policies shall contain a waiver of subrogation in favor of the City and require the giving of written notice to the City at least thirty (30) days prior to cancellation, non-renewal or material modification of any policy.

CONTRACTOR shall furnish the City with copies of the aforementioned insurance policies or certificates of insurance evidencing such required coverage.

## 7.0 **HOW TO ISSUE A PURCHASE ORDER:**

A **Purchase Order** document initiates the procurement process for purchasing higher-dollar items or those that have special purchasing restrictions. A Purchase Order represents a binding and enforceable agreement with a vendor/supplier to provide the goods and services in accordance with the terms and conditions of the Purchase Order and associated documents. The City of Terrell's Purchase Orders are sequentially-numbered and computer-generated through the City's Purchase Order computer program in the Harris Open-Window Financials Computer Software System.

The purchase of goods and/or services that require a Purchase Order, prior to the issuance of an approved Purchase Order is strictly prohibited.

**NOTE:** The Procurement Credit Card (PCard) program is used for purchasing relatively low-dollar and high volume items such as materials and supplies that are routinely consumed in the normal course of operations. The PCard program is intended to complement, not circumvent the Purchase Order program. Please read the **PROCUREMENT CREDIT CARD POLICY AND PROCEDURE** for details on how the PCard program works.

### **Procedure To Issue A Purchase Order:**

1. The department head or other authorized employee creates a **Purchase Requisition** for the procurement of goods or services by opening the computer software Departmental Purchasing screen and entering all of the pertinent information relating to the purchase that includes:
  - Ship To Address (and Attention )
  - Bill To Address:
    - ✓ This is unnecessary unless the Bill To Address is different from the Ship To Address.
  - Vendor Number
  - Vendor Name and Address:
    - ✓ The vendor's name and address is automatically activated by the vendor number which is setup in the vendor Master File.
  - Purchase Order Number:
    - ✓ The purchase requisition and purchase order numbers are both computer-generated, sequentially-numbered and are both different thereby preventing additional purchases from being made from the same original purchase requisition and purchase order numbers.

- Purchase Order Type
- Purchase Order Date
- Purchase Requisition Number
- Purchase Requisition Date
- Ordering Unit and Buyer Name:
  - ✓ This identifies the requisitioner's department and specific fund that the vendor invoice will be paid from.
- Body of the Purchase Order :
  - ✓ The order should be described in as much detail as space permits and should specify exact quantity, unit of measure, manufacturing number, description of goods or service, unit price and total price. Special comments or terms can be added when creating the purchase requisition. The freight F.O.B (Free on Board) options of Destination or Origin should be noted if the product is shipped.

Employees, who by memorandum furnished to the Accounts Payable Section, may sign a Requisition/Purchase Order for a purchase or payment authorization up to a specified limit that is set by the department head.

2. The department head approves or rejects the Purchase Requisition.
3. It is the department's responsibility to maintain sufficient funds in the budget account to allow for purchases. If the account lacks sufficient ***Unappropriated***<sup>\*</sup>-funds, the department shall choose one of the following three (3) procedures:
  1. withdraw the request, or
  2. request a transfer of funds within the departmental budgeted accounts, or
  3. request a budget amendment

***\*Unappropriated*** = *This is the balance in an account that is not encumbered, already expended or previously designated to be spent by management or council action. Any change to the budget requires the City Manager's approval. Budget amendments require the City Council's approval.*

4. The Authorized department purchaser encumbers the purchase order amount in the accounting computer software.
5. The Authorized department purchaser then checks the approval box that processes the **Purchase Requisition** information and creates a **Purchase Order** which is printed by entering the computer batch number on the Print Purchase Order screen:
 

1<sup>st</sup> Part - ORIGINAL
6. The Authorized department purchaser then sends the purchase order for approval as required to be approved as set out in Section 5.0, **SPENDING AUTHORIZATION REQUIREMENTS**, in the Purchasing Policy and Procedure.
7. After the purchase order has been printed the Authorized department purchaser elects the same computer batch number that created the purchase order and prints a **Purchase Order Distribution Report** that interfaces with and posts the following purchase order information to the general ledger:
  - Batch Number
  - Fund
  - Account (General Ledger)

- Description
- Post Date
- GL Batch Number
- Vendor No
- Debit and Credit Dollar Amounts

The **Purchase Order Distribution Report** is edited for mistakes, errors or omissions and then filed in the Accounts Payable for future reference and accounting audit trail documentation.

The purchase order system interfaces with the general ledger program under a **Batch System**. The purchase order system records the user name of the employee that opened the batch so the reviewer/approver knows which employee to question if there is a problem encountered in the batch. The system requires an employee to post a purchase order batch in order to update the general ledger and generate a Purchase Order Distribution Report. Batches are posted at various times throughout a given workday.

**NOTE:** The Accounts Payable Technician, Utility Billing Supervisor and Finance Director are the only authorized persons to update and post batches.

8. The departmental buyer orders the goods and/or services.

After the ordered goods have been received or the services have been provided and the ordering department has ensured that all goods and services ordered have been received or provided, the department buyer will sign and attach the original Purchase Order to the vendor invoice, bill of lading, packing slip, correspondence and all other receiving and supporting documentation. The Authorized department purchaser will enter the invoice information into the Accounts Payable System.

**NOTE:** The Accounts Payable Section distributes monthly budget expenditure reports to departments for their review and analysis on the 15<sup>th</sup> calendar day of each month.

7.1 **Blanket Purchase Order requirements:**

- A specific vendor must be used for each blanket purchase requisition/purchase order.
- A stated period during the budget year must be specified.
- A description of the goods and/or services must be detailed.
- Applicable project codes must be used, and
- The bidding process must be used if the dollar amount is greater than \$25,000.00.

7.2 **Partial Shipments:**

- The responsible buying department shall keep all shipping receipts, packing slips and vendor invoice(s) for partial as well as complete orders.

## 8.0 **VENDOR INVOICE REQUIREMENTS AND PAYMENT PROCESSING:**

A vendor invoice is an itemized statement of merchandise shipped or services provided by the vendor. The following basic and minimum information is required to be on the face of a vendor/supplier invoice. If any of this information is incomplete or incorrect, payment to the vendor may be delayed:

- **Invoice number:**

This number will be referenced on the City of Terrell's check when issued to help the vendor/supplier identify and apply the cash to the correct item on the vendor/supplier's accounts receivable ledger.

- **Invoice date:**

This date is used by the City's accounts payable system to start the payment cycle in terms of the number of days when payment becomes due and is needed to generate an accurate Accounts Payable Aging Report. The check will be printed and mailed within thirty (30) days unless otherwise specified by the terms indicated on the City's Purchase Order. Per the Uniform Commercial Code, a payment is constructively made on the postmarked date that the check is placed in a U.S.P.S. mail depository.

- **Dollar amount that the City Of Terrell owes to the vendor/supplier:**

This amount should be broken down into product/service subtotal, freight and total amount due to the vendor. These items need to match the same units of measure and prices listed on the City of Terrell's purchase order. Any discrepancies must be resolved by the departmental buyer with the vendor otherwise, payment may be delayed.

- **Itemization of each item:**

Each vendor/supplier invoice should be itemized to show the date the shipment was made or the date the service was performed. This should include the quantity and the unit price agreed-upon with the City for partial shipments.

- **Type of currency, if other than \$USD:**

If the invoice is to be paid in currency other than United States dollars, it must be conspicuously printed on the face on the invoice, otherwise, payment may be delayed.

- **Purchase Order number:**

The City's purchase order number must be contained in its entirety on the face of the invoice, otherwise, payment may be delayed.

- **Remittance address:**

The address where the City of Terrell's payment should be mailed.

All vendor invoices should be mailed directly to the user department per the instructions on the purchase order and date-stamped when received. The ordering department buyer will review and check the invoice against the department's copy of the purchase order to ensure that both are in agreement. An invoice and purchase order with a difference greater than five percent (5%) is subject to review. If no purchase order exists for a vendor invoice that has been received, the incident is reported to the City Manager's Office for investigation.

**NOTE:** The authorization and approval to pay the vendor invoice is the responsibility of the department head.

## **Accounts Payable Procedure:**

### **Departments:**

#### **Session – Create Batch.**

Create a batch using your department ID and Fund Code as the batch name.

Create a batch for each Fund Code

Make sure to only use your department ID and Fund Code batch to enter your invoices.

#### **Session – select batch**

Use this option if the batch has already been created and you want to add more invoices or edit an existing invoice.

#### **To Enter an invoice against a purchase order.**

##### **Activity - Invoice entry by PO number.**

GL date will be Friday of this week.

Due date will be the same as the GL date.

Committee code will be left blank unless this PO is for a fixed asset

If for the purchase of land – enter committee code 1

If for the purchase of a building – enter committee code 2

If for the purchase of equipment – enter committee code 3

PO# - Enter the purchase order number

Invoice Number – Enter the invoice number

Amount – If the amount is different than the amount you will be paying on this invoice change the amount

Vendor – If the vendor number is blank, enter the vendor number for this vendor. If the vendor number is wrong change it.

Liquidate PO. - If this is the final payment on this PO mark this box.

It will close the PO and return any remaining amounts to your budget.

Distribution. Verify the distribution accounts numbers and amounts.

Do not change the distribution account numbers on this screen,

only the amounts. If the account number is incorrect do not enter the invoice as it will have to be deleted, the PO will have to be voided and reissued. See the finance department if necessary.

#### **Activity – Invoice Edit report.**

Insert your batch number in the batch no. from and to fields.

Select the primary sort order.

Print this report and check it very carefully.

If any errors are found fix them. Any invoice not correct will be deleted by finance and returned to the department for corrections. This will delay the payment to the vendor until the next check cycle.

#### **Activity – Invoice Entry**

Use this screen to make any corrections found on the invoice edit report.

Enter the vendor number.

Hit F2 on the Invoice number and it will display the available invoices.

Select the appropriate invoice and select OK.

Remember that if an invoice is attached to a PO and the account number is incorrect DO NOT change it here. The invoice will need to be deleted, the PO voided and reissued and the invoice reentered. See the finance department if necessary.

#### **Make corrections and select New or OK.**

Print the Invoice Edit report again to make sure all has been corrected.

Once you are satisfied that all invoice have been entered and are correct they are ready to go to the finance department.

Run the edit report for the finance department using the primary sort of vendor name. Put the invoices in the same order as the edit report and attach the purchase order.

Only original invoices will be accepted.

All required documentation must be to the finance department by 3:00 on Thursday. Keep all remittance advices in your office. The checks will be cut on Friday and returned to you. Make sure you have all of your checks, attach the remittance advice and mail.

#### **Finance Office:**

**Activity – Invoice Edit Report.** Run the edit report for each batch by vendor name. Check it carefully against the original invoices submitted to you from the departments. If any invoice is incorrect, delete the invoice and return the invoice to the department. They will need to reenter it for the next check cycle.

**Invoice Distribution.** The distribution for each batch should balance back to the edit report.

**Cash Requirements:** Insert the first batch number and retrieve the data. If the totals are correct, hit NEW and insert the next batch number. Repeat until all batches have been selected for payment.

**Checks -** Select print checks, mark multiple batches, the screen options will change. Click on the select batches.  
All of the batches that have had cash requirements ran will be displayed here.  
You will select all of the batches and indicate what order the batches will print in.

**Check Register** – Select Multiple batches.

**Payables Close** – If you remove the batch number it should close all batches.

**Activity** – select Batches – make sure all batches have closed.

After the ordered goods and/or services have been received/provided and the requisitioning department has ensured that all goods and services ordered have been received/provided, the department buyer will sign and attach the original purchase order to the vendor invoice, bill of lading, packing slip, correspondence and all other receiving and supporting documentation as evidence of fulfillment of the order and return all of these documents in their entirety to the Accounts Payable.

Properly submitted, reviewed and approved invoices with the appropriate documentation attached thereto are paid within thirty (30) days of receipt of authorization to pay from the department head. The City writes checks on a scheduled basis to ensure that vendor payments will be made by the thirtieth (30<sup>th</sup>) day after receipt of all required documentation on a given purchase order in accordance with Texas State Law.

Invoices for payment received between the 26<sup>th</sup> and 10<sup>th</sup> calendar day of the month shall be processed for payment by the last day of the month. Invoices for payment received between the 11<sup>th</sup> and 25<sup>th</sup> calendar day of the month shall be processed for payment by the 15<sup>th</sup> calendar day of the following month.

Vendors who require advance funding must submit an invoice to the City for the advance. All advance funding requirements must be expressly stated on the requisition/purchase order before submission to the Accounts Payable Section.

Discrepancies between the amount as shown on the vendor invoice and the purchase order are the buying department's responsibility to reconcile and any such discrepancy must be resolved by the department before payment is processed.

All correspondence between the City and vendor relating to an invoice must contain the following pertinent information:

- ✓ Invoice Date
- ✓ Vendor Name
- ✓ Dollar Amount Billed, and if applicable,
- ✓ Requisition/Purchase Order Number

**Payment Authorization:**

Payment authorizations to pay for memberships, dues, subscriptions, refunds not related to travel arrangements, utility bills, non-contractual service (not to exceed \$500,000) and postage are forwarded directly to the Accounts Payable Section with the appropriate supporting documentation.

**Inspection of Accounts Payable Records:**

- ✓ All accounts payable records including project files are stored in a security area in the Finance Department.
- ✓ No original documents may be taken from the security area.

**9.0 OTHER SPECIAL VENDOR REQUIREMENTS:**

Vendors desiring to conduct business with the City of Terrell are required to complete and submit the following three (3) documents:

- 1) **Internal Revenue Service Form W-9**
- 2) **State of Texas Form CIQ**
- 3) **City of Terrell Vendor Application**

The aforementioned documents are available in the Accounts Payable Section and will be furnished to the departmental buyer upon request. All of the aforementioned three (3) documents must be thoroughly and accurately completed at the time the vendor is to be established with the City and forwarded to the Accounts Payable Section before the vendor is accepted and recognized as an official vendor and added to the City's vendor Master File List.

By November 15 of each year, Accounts Payable staff will make contact with each vendor, either through a known email or through the US Postal Service, requesting an updated Form W-9. Returned updated forms will be utilized to update the vendor's information. If no W-9 is returned when requested, the preceding W-9 information will remain as the valid information in the vendor file and in the financial system. Also in this communication, each vendor will be reminded of their responsibility to provide an updated State of Texas Form CIQ as outline in Local Government Codes § 176.006.

**10.0 DEVELOPER/OWNER MATERIALS TESTING:**

- 10.1 **Developer/Owner Materials Testing – Escrow Funds Collection and Reimbursement Procedures Form (Schedule B)**
- 10.2 **Engineering Escrow Funds Collections Statement (Schedule C)**
- 10.3 **Engineering Escrow Funds Reimbursement Request (Schedule D)**

**City of Terrell**

**Financial Policy Manual**

**PURCHASING POLICY AND PROCEDURE**

**SCHEDULE B**

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**Developer/Owner Materials Testing - Escrow Funds Collection and Reimbursement Procedures Form**

**PURPOSE:** To provide accurate and timely development of construction and proper documentation.

**BACKGROUND:** In accordance with the City's commitment, developers/owners are entitled to be reimbursed for money's collected, which are remaining in escrow for materials testing, after improvements required for the development of their project have been completed. The amount collected is 3% of construction cost or amount agreed upon by City and Owner.

Funds are administered by the City to the laboratory of choice by the City. The primary purpose of the funds is to insure quality construction of the necessary infrastructures. The funds will only be used for the material testing during the construction of the specific improvements.

When requesting a reimbursement, the developer must submit a written request.

The amounts are audited and payments are made by the City per the invoices

The request will be processed after the maintenance bond is in place and final payment is processed.

The City will provide forms for developer/owner to complete and return.

Project: \_\_\_\_\_

Construction Cost \$\_\_\_\_\_

Testing Fee (3 %) \$\_\_\_\_\_

**City of Terrell**

**Financial Policy Manual**

**PURCHASING POLICY AND PROCEDURE**

**SCHEDULE C**

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**Engineering Escrow Funds Collections Statement**

**PLEASE PRINT ALL INFORMATION:**

**PROJECT NAME:** \_\_\_\_\_

**PROJECT NUMBER:** \_\_\_\_\_

**ESCROW DESCRIPTION:** \_\_\_\_\_

**ESCROW AMOUNT:** \_\_\_\_\_

**GENERAL LEDGER ACCOUNT NUMBER:** \_\_\_\_\_

**APPROVED BY:**

**CITY ENGINEERING** \_\_\_\_\_

**DATE** \_\_\_\_\_

**CITY SECRETARY** \_\_\_\_\_

**DATE** \_\_\_\_\_

**CHECK NUMBER:** \_\_\_\_\_

**RECEIPT NUMBER:** \_\_\_\_\_

**RECEIVED BY:** \_\_\_\_\_

**DATE RECEIPTED:** \_\_\_\_\_

**City of Terrell**

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**SCHEDULE D**

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**Engineering Escrow Funds Reimbursement Request**

**PLEASE PRINT ALL INFORMATION:**

**PROJECT NAME:** \_\_\_\_\_

**PROJECT NUMBER:** \_\_\_\_\_

**ESCROW DESCRIPTION:** \_\_\_\_\_

**BALANCE IN ESCROW:** \_\_\_\_\_

**GENERAL LEDGER ACCOUNT NUMBER:** \_\_\_\_\_

**APPROVED BY:**

**CITY ENGINEERING** \_\_\_\_\_

**DATE** \_\_\_\_\_

**CITY SECRETARY** \_\_\_\_\_

**DATE** \_\_\_\_\_

**CHECK NUMBER:** \_\_\_\_\_

**DATE MAILED:** \_\_\_\_\_

**MAILED TO:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11.0 **GENERAL INFORMATION:**

**Signatures/Authorization:**

Applications for Title, Tax Exemption Certificates, Agreements and Contracts shall not be signed by any City of Terrell employee unless expressly authorized in writing by the City Manager or designated official.

**Disposition of Entity's Property:**

Surplus property, confiscated property and abandoned vehicles, real estate and other property shall be sold or auctioned in accordance with Texas State law and the City of Terrell's Charter. For information regarding the sale of this property, contact the Purchasing Office.

## **CITY COUNCIL TRAVEL POLICY**

### **(A.) City Council Travel Policy Overview:**

There are two types of travel that will be authorized and recommended: Travel for Learning and Travel for Conducting City Business. City Council encourages the attendance of Council Members and the Mayor at conferences and educational seminars that will serve to enhance directly their knowledge and ability to carry out their responsibilities in governing the City. Several organizations at both State and Federal levels provide worthwhile meetings and educational sessions for elected officials throughout the year. Each Council Member is responsible for determining his or her preferred training and education strategy. Council Members are encouraged to adhere to the following order in prioritizing and selecting training.

#### **A. 1. Travel for Learning**

- a) Opportunities that meet minimum legal requirements and basic competencies for elected officials in Texas.
- b) Training specific to the unique circumstances and legal requirements of Texas cities.
- c) Training specific to policy topics related to City of Terrell policy issues.
- d) Training of a general nature.

#### **A. 2 Travel for Conducting City Business**

In addition, Council Members may, on occasion be, called upon to represent the City in meetings, at events and on committees that may occur outside the City of Terrell. Council Members are encouraged to participate in such events as a service to the City in order to further business or policy initiatives of the City.

### **(B.) City Council Travel Procedures:**

Upon receipt of notice of training opportunities or other events, the City staff will provide a copy of the notice to Council Members. The notice will provide an opportunity for the Council Member to reply if he or she will be attending. Upon receipt of the reply, City staff will make the necessary travel arrangements for all attending.

Each Council Member will be responsible for managing their individual training budget.

It shall be the responsibility of the City Manager's office to notify City Council Members of appropriate meetings, dates, and locations.

Each Council Member shall be responsible for advising City staff as to their travel plans.

The City Manager's Administrative Assistant or designee shall be responsible for making all travel arrangements and delivery of travel information to each Council Member. Travel shall be arranged by the most economical mode available.

**(C.) City Council Travel Protocols:**

The following shall be observed in all travel by Mayor and Council Members:

**Travel** – Economy class air travel to destinations outside the State of Texas and land travel costs to include taxis, Uber, buses and associated tips. Upgrade from economy class air travel for medical conditions or unusual circumstances may be considered and approved by City Council prior to travel.

Rental cars may be used when other means of transportation will provide an extraordinary handicap to the Council Member.

Personal vehicles may be used for business trips and reimbursement will be made for the meeting related mileage at the IRS allowable rate. Reimbursement of personal car expenses shall not exceed the cost of the lowest available airfare on the date(s) of travel.

**Lodging** - Lodging expenses will be reimbursed on an actual cost basis.

**Meals** - Expenses of meals will be reimbursed on an actual cost basis or per diem. Per diem shall be set at a rate of \$95/day or by individual meals at a rate of \$20 for breakfast, \$30 lunch, and \$45 for evening dinner. Per diem amount does include tax and reasonable gratuities expended during a business trip. If meals are reimbursed on an actual cost basis, each member will be reimbursed for reasonable tax and for gratuities for servers, i.e., 15% to 20% of the total meal cost.

**Registration** - When expenses are included in registration fees for conferences, seminars, etc., reimbursement will not exceed the cost of registration. For example, Council Member attends a seminar for which meals and lodging are included in the registration fee, reimbursement will not exceed the cost of the registration fee. Fees charged for registration at any convention or meeting are allowed. Receipts must be supplied.

**Cash advances** - Cash advances will be issued upon request by Council Members.

**Budgeting for Travel for Learning** - Each year, as part of the budget development process, the City Council shall allocate funds to each Council Member, as the budget allows, as set forth in Policy A1 Travel for Learning. Such meetings/conferences must be relevant to issues facing local governments and consistent with the travel policy. Each individual Council Member is responsible for use of those funds.

Use of Unexpended Funds. In the event that Council Members or the Mayor do not use their annual allocation, the unused amount cannot be carried over to the next year.

**Budget for Travel for Conducting City Business** – Each year, as part of the budget development process, the City Council shall allocate funds as the budget allows to accommodate City elected officials traveling

to represent the City on City business. These funds will be coordinated with the City Manager and not the individual Council Member Travel for Learning accounts.

**Reporting** - Receipts shall be submitted not later than ten (10) days after returning from the trip.

**Accounting for Travel Expenses** - Accounting for travel expenses shall be the responsibility of each Council Member. Upon submission of a City Expense Report to the City Manager's office, supported by receipts or other documentation, the City shall reimburse the Council Member for his or her expenses related to the authorized travel. The receivable account will be cleared when an Expense Report is submitted, approved, and processed within thirty (30) working days after date of return. Council shall use the following Travel Reimbursement/Refund form as a template to submit expenses with the appropriate backup documentation.

The Expense Report should be supported by documentation (receipts) for expenses outlined herein and should include a copy of the Request for Travel or Local Meeting Authorization. Reimbursements will not be made for expense items exceeding \$25 not supported by appropriate documentation. The registration form for any seminar, conference, convention, etc., shall be attached to the Expense Report for reference.

The actual expenses of the trip will be charged to the proper departmental account and decoded from the approved Expense Report submitted by the Council Member.

In instances in which an advance was made and not entirely expended, the Expense Report should be submitted to the City Manager's office for processing accompanied by a personal check or money order from the Council Member for the amount of the unexpended advance. The Council Member's receivable account will be credited for the amount returned as well as the total amount of expenditures approved on the Expense Report.

#### **(D.) City Council Event Policies**

1. As ambassadors for the City, each Council Member is encouraged to attend a wide variety of events in the community, some sponsored by the City and some sponsored by other community partners. Subject to annual budget approval, Council Members shall be provided, at no cost, a variety of Terrell logo clothing, gear and business cards for this purpose.
2. If a City Council Member accepts a meal, t-shirt or other item of nominal or sentimental value at such event, such acceptance shall not create a requirement to reimburse or otherwise document.
3. Staff shall annually propose in the budget amounts necessary for food and beverages for City Council, staff and guests when such occasions conflict with or are scheduled during normal meal times. Cost per meal shall not exceed reasonable and customary catering charges for City of Terrell based restaurants.
4. Subject to budget availability, the City Manager may schedule and authorize assorted appreciation events for City Council, Council guests, staff and staff guests. Such events may

be coordinated with the annual budget retreat, conference or training related travel, holiday event or separate City Council workshop.

**(E.) Disallowable Items:**

The following items will not be reimbursed or paid for by the City. Any expenditure for these items will be charged to the applicable Council Member personally.

- (1.) Alcoholic beverages, including those purchased as part of a meal.
- (2.) Entertainment.
- (3.) City funds shall not be used to pay any expenses incurred by a spouse or guest of a Council Member or the Mayor in attending any conference except where the conference is deemed to be a special occasion for the Council Member or the Mayor, and the reimbursement of such expenses is approved in advance by the City Manager.
- (4.) Laundry and valet service for trips less than one (1) week.
- (5.) Any item of a personal nature.
- (6.) Tours.
- (7.) Health club expenses or
- (8.) Souvenirs

**Travel  
Reimbursement / Refund Form**

Name: .....

Fund: .....

Account: .....

Description: \_\_\_\_\_

ESTIMATED TOTAL:

Total:	

POSTTRAVEL TOTAL:

Total:	

Requested by: \_\_\_\_\_

Name /Title: \_\_\_\_\_

Approved by: \_\_\_\_\_

Name /Title: \_\_\_\_\_

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

Additional Payment: \_\_\_\_\_

Refund Back to City: \_\_\_\_\_

Requested by: \_\_\_\_\_

Name/ Title: \_\_\_\_\_

Approved by: \_\_\_\_\_

Name/ Title: \_\_\_\_\_

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

## STAFF TRANSPORTATION POLICY

As needed for job performance, staff transportation is divided into the following categories:

1. Daily or occasional use of a City vehicle checked out at work: Department Directors are assigned discretion based on fleet availability and work demands to assign vehicles to staff. Such vehicles shall be operated in accordance with the City Employee Handbook.
2. Daily or occasional use of a take-home city vehicles: Department Directors are assigned discretion based on fleet availability and work demands to assign take home vehicles to City Staff, limited to the following functional areas below.

STAFF FUNCTION	Available Take Home Vehicles
Streets Emergency Assistance	1
Parks Customer Service	1
Police Emergency Response	12
Fire Marshal	1
Water Quality On Call	1
Utility On Call	2
<b>TOTAL</b>	<b>18</b>

Such vehicles shall be operated in accordance with the City Employee Handbook.

3. Department Director Transportation: The Police Chief and Fire Chief are Department Heads, whose special role in emergency events requires a take home vehicle, such vehicles shall be operated in accordance with the City Employee Handbook. All other Department Heads, the City Manager and Assistant City Manager shall receive identical transportation assistance in the form of a vehicle allowance. These designated executive employees shall receive a vehicle allowance, that is intended to cover the cost of an automobile as needed for job performance, including insurance, maintenance, repairs, fuel, etc. A uniform car allowance in the amount of \$500.00 per pay period is established for these designated executive employees. The allowance will be paid bi-weekly and will be included in the employee's taxable income. The program is intended to cover all local and regional city-related business travel within Kaufman County and counties bordering Kaufman County, specifically that an authorized executive may be required to make as a result of his/her job and related expenses, including insurance and deductibles in the case of an accident. Authorized employees who receive this allowance will not be provided with a city vehicle except in limited situations where a need exists for the use of special equipment, a marked City vehicle

or a special type of vehicle. Such vehicles shall be operated in accordance with the City Employee Handbook.

In accordance with the Travel Policy, these designated executive employees are entitled to reimbursement at the Standard Mileage Rate established by the Internal Revenue Service for travel outside the county of Kaufman and adjoining counties and are required to record and properly submit their travel mileage in order to receive this reimbursement. *In other words, an employee may not receive both a car allowance and a city vehicle.*

All such executives driving a personal vehicle on City businesses shall:

- Maintain a valid Driver's License; and
- Maintain a current registration and safety inspection for the vehicle, and
- Maintain financial responsibility in compliance with the State of Texas financial responsibility law.

4. City Manager or his/her designee may identify staff with occasional work related use of a private automobile and assign a temporary or on-going mileage stipend on an as needed basis.

**CITY OF TERRELL**  
**CELLULAR TELEPHONE ALLOWANCE POLICY**

**PURPOSE OF AGREEMENT**

The purpose of this Policy is to outline the procedure and process for employees with a cellular telephone (“cell phone”) allowance. The cell phone allowance is processed through payroll by the City of Terrell Human Resources Department and is subject to standard payroll withholdings in accordance with IRS Publication 15-B and other applicable State and Federal rules. Cell phone allowances do not constitute an increase in base pay and will not be included in any percentage calculations for increased base or overtime pay calculations.

**PURPOSE OF ALLOWANCE**

This Cellular Telephone Allowance Policy is optional and not a requirement. Certain employees whose job requires them to be away from their desk for meaningful periods of time during the day, work outside of normal business hours, are required to be available for emergencies 24/7 and/or may be in situations in which necessary communication cannot be provided by any other means may be authorized to request a cell phone allowance. In these cases, the employee agrees to select, procure and maintain at their own expenses a cell phone adequate to perform the necessary job functions.

The cell phone remains a personal phone and may be used for personal purposes but the number shall be used primarily for work and is published as a City employee cell phone number. A cell phone allowance is only applicable when the employee has a valid cell number in working order. Failure to maintain an adequate communication device may be cause for disciplinary procedures.

**JUSTIFICATION OF ALLOWANCE**

The specific Department Head should review the employee’s job functions in order to justify establishment of a cell phone allowance. An employee that is eligible for a cell phone allowance must be a regular full-time employee in a position for which a clearly defined business need for a cell phone has been determined by the Department Head. The employee and the Department Head shall discuss protocols associated with use and job related expectations. Any special conditions must be noted and approved in written form. All changes in allowances must be submitted in writing to Human Resources for payroll processing.

**SPECIAL PROCEDURES**

Suspension of an employee’s cell phone allowance due to an extended absence and/or unavailability for cell phone response to duty responsibilities is at the Department Head’s discretion and should be communicated in writing to Human Resources. Successful maintenance of a cell phone may be judged to be an essential job function and failure to do so may result in termination. The Department Head must discuss with employees receiving an allowance that the cell phone allowance is only applicable when the employee has a valid cell number. If the validity of a cell number comes into question, then it may become necessary for the employee to submit additional documentation for auditing and allowance confirmation purposes.

**CITY OF TERRELL**  
**CELLULAR TELEPHONE ALLOWANCE POLICY**

<b>Employee Name</b>	<b>Department</b>
<b>Payment per Pay Period</b>	<b>Cell Phone Number</b>
<b>Special Conditions/Protocols</b>	

**Department Head Recommendation**

Signature: \_\_\_\_\_

**City Manager Authorization**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Date: \_\_\_\_\_

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**EMPLOYEE STATEMENT AND AGREEMENT**

I have read the information on page 1 and on page 2 regarding this policy. . I agree to the terms of the Cellular Telephone Allowance Policy and accept the responsibility to own and operate my own cell phone in a manner that I can receive and send work related phone calls, voice mails, photos, texts and emails; that I can utilize the City of Terrell website and various partner websites associated with City business and that I can download and review various files necessary for off-site review and transmission. I authorize my cell phone number to be published publicly for official use by the City and the main purpose of a cell phone is for business. I understand the cell phone is not for entertainment or distraction during working hours and that the cell phone shall never be used in a manner contrary to State law while driving or in any manner that creates a distraction related to driving or operating equipment. I also understand that I am financially responsible for any and all charges for the cell phone plan I select. Signature: \_\_\_\_\_

Name: \_\_\_\_\_ Date: \_\_\_\_\_

**CREDIT CARD POLICY**  
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- 1.0      OVERVIEW**
- 2.0      ELIGIBILITY AND GUIDELINES**
- 3.0      GENERAL INSTRUCTIONS**
- 4.0      CREDIT CARD MANAGEMENT**
- 5.0      RETURNS, CREDITS AND DISPUTED ITEMS**
- 6.0      CREDIT CARD SECURITY**
- 7.0      AUDIT**

## **CREDIT CARD POLICY**

### **1.0 OVERVIEW**

Welcome to the City of Terrell, Texas' implementation of the Credit Card Procurement Program. This program is to be used to procure low-value maintenance, repair and operational expense items. Many items that are processed today using Requisition / Purchase Order forms, or petty cash are candidates for the credit card procurement.

#### ***Benefits***

Users will be able to obtain goods and services much faster and easier. Paperwork and processing in the Finance, Accounts Payable and by the User's Departments will be reduced. These efficiencies will allow all groups and individuals involved to be more effective and focus on the value-added aspects of their jobs.

#### ***Controls***

The Credit Card Procurement Program uses internal management controls (policy) as well as features and reports from Card management Company to manage and audit the credit card program to ensure that policy and procedures are followed.

Each card has a daily transaction limit of \$500.00 established. (*Exceptions City Manager and City Secretary*)

- The billing cycle is every 30 days.

### **2.0 ELIGIBILITY AND GUIDELINES**

#### ***Eligibility***

Department Heads shall be issued a credit card in their names. Department cards shall be issued to individual employees on an as needed basis. Employees on probation and temporary employees ARE NOT TO USE A CARD!!!

#### ***Department Criteria For Determining Cardholders***

When determining which employees should be allowed to use a Credit Card, Department Heads may wish to use the following criteria:

- Will the employee's use of a Credit Card enhance productivity?
- Will the employee's use of a Credit Card reduce paperwork?
- Will the employee utilize the Purchasing Card regularly for the purchasing of authorized (budgeted) goods, supplies, and services?

## **Acceptable Credit Card Uses**

When using the credit card to procure goods and services the user is responsible for complying with the purchasing limits.

Credit Cards may be used for small dollar purchases which do not exceed the daily transaction limit established by the purchasing policy and that do not exceed the cards maximum limit.

Acceptable purchase items:

- \* Maintenance and repair of equipment
- \* Operational expense items.
- \* Registrations for professional conferences, conventions, short schools, seminars and conventions.
- \* Travel expenses incurred for Meetings and Visits.
- \* Spending Limits established by the travel policy must be applied.
- \* Prior to traveling Travel Authorizations must be submitted to the Finance Department and authorized by the City Manager.

## **Non-Acceptable Credit Card Uses**

Credit Card purchases shall not to be split to make purchases which exceed the daily transaction limit.

Credit Cards shall not to be used for:

- Unbudgeted goods
- Gift Certificates
- Entertainment
- Personal services
- Service where a potential liability may exist and requires insurance and/or bonds
- Products or services which require the purchase approval of the City Manager.
- Fuel operated mechanical equipment

**\*\*\*USE OF YOUR CREDIT CARD FOR PERSONAL PURCHASES, \*\*\*  
CASH ADVANCES OR CASH REFUNDS IS STRICTLY PROHIBITED!**

## **Consequences for Failure to Comply with Program Guidelines**

- Revocation of card.
- Notification of City Attorney's office to investigate matter further.
- Assignment of Wages.
- Disciplinary measures that may include **termination** and **legal action**.

### **3.0 GENERAL INSTRUCTIONS**

#### **Obtaining a Credit Card**

A correspondence to the Accounting requesting a credit card, or department card. Purchase limits will be established by the Finance Director.

Employees who have not been given formal training by accounting personnel are prohibited from using the card. All employees allowed to use a credit card are required to attend a credit card procurement training seminar every other year.

User agreement contracts shall be signed and kept on file in Accounting. A new user agreement must be signed upon renewal of the credit card, (See Attachment 2)

#### **Cardholder Duties and Responsibilities include**

- Maintain cards in secured location. Cardholders are responsible for ensuring cards are maintained on city property and kept in a secured (locked) area when not in use.
- Fraudulent use or misapplication of the card. Cardholders are responsible for reporting immediately any fraudulent use or misapplication of the card to the Finance Director.
- Credit card dispute resolution. Cardholders are responsible for immediately investigating any disputed charges and invoking the disputed charges procedures when necessary.
- Lost or stolen credit cards. Cardholders are responsible for immediately notifying the selected vendor and the Finance Director if a card is lost or stolen.
- Cardholders are accountable and responsible for their credit card.
- Cardholders are responsible and accountable for adherence to the established daily per transaction and per 30 day cycle limits set for their card.
- Cardholders are accountable for the physical receipt of the merchandise.
- In case of returns, cardholders are responsible for coordinating returns directly with the supplier.
- The credit card is to be used for city business only. **NO PERSONAL USE!** Personal purchases will be considered misappropriation of municipal funds which constitutes a criminal offense and must be referred to the City Manager.
- The Card is intended to complement the existing city purchasing processes.
- Cardholders must log all purchases/transactions and verify their monthly billing statement. Additionally, each item on a transaction shall be listed with the appropriate expense account.

## **Making a Purchase**

When making a purchase via the Credit Card, the user (cardholder) is to:

- Call or visit most competitive vendor available within reasonable travel distance. **Department heads** are responsible for establishing internal policy.
- Obtain the best possible price; many vendors offer government discounts - **Remember: The City is exempt from sales tax.**
- Determine what you need to purchase and present your Credit Card to the vendor. For mail or phone orders, provide your card number as requested.
- Verify the charges (and that we are not charged tax) and sign the receipt. Auditors must be able to identify what was purchased. Stock numbers or other unidentifiable nomenclature must be clarified. All charges in a transaction shall be noted on a credit card log and charged to the proper account.
- You should receive a charge card receipt, and possibly a cash register receipt. Keep them! If the order was placed by phone, you may not get a receipt – that's OK. You are required to note on the credit card log sheet that the order was placed by phone or mail.
- Have supplier ship according to terms. FOB: Destination, seller pays for freight.
- (IMPORTANT). Give the supplier your address, department names, user name. Make sure the supplier incorporates this information on the shipping label if material is to be shipped.
- Confirm pricing and tax exempt status. Request the supplier encloses a copy of the sales slip with each shipment listing price.
- Credit Card Logs are required for each credit card purchase/transaction. (See Attachment 3).
- Several things to remember:
  - Competitive bidding is not required.
  - Log each purchase/transaction.
  - The signed Credit card sales receipt will serve as the receiving document.
  - Remember, we do not pay State of Texas sales tax.
  - Accounts Payable has tax exempt certificates available if needed.

## **4.0 CREDIT CARD MANAGEMENT**

### **Credit Card Log**

Each cardholder is to maintain an accurate Credit Card Log (Attachment 3) which contains a detailed log of each credit card purchase. The Credit Card Log is to contain:

- Account Number

- If multiple Account Numbers on a single purchase transaction, enter each purchased item and its Account Code separately on the Credit Card Log.
- Purchase Date
- Description of Purchase
- Vendor Name
- Amount
- Account Reconciliation
- Department Authorized Signature

Important: Credit Card Logs are due back in Accounting five (5) working days after the department receives the statement.

## **Credit Card Record Keeping**

It is each cardholder's (employee's) responsibility to:

- Maintain accurate purchase transaction information on the Credit Card Log.
- Verify their 30 day bank Activity Statement for Credit Card purchases/uses and send completed records to the Finance Department, within five (5) working days.
- At the end of each 30 day period, the servicing bank will send an Activity Statement which will detail charges billed during the month. The Credit user is to:
  - Review the monthly bank statement for any discrepancies
  - Obtain approval for payment from the department head
  - Attach original vendor cash register receipts, credit card receipts and invoices to the bank Activity Statement in the same order as on the Activity Statement
  - If a receipt has been lost, the user is to attach a signed memo containing the required purchase transaction information.
  - Attach bank Activity Statement and vendor receipts to the Credit Card Log. Any differences are to be forwarded to the Finance Manager for explanation.

The department supervisor is to review the employee's usage of the Credit Card and is responsible for ensuring the user conforms to the Credit Card usage guidelines and city purchasing policies. Inappropriate usage of the Purchasing Card by the user (employee) shall be addressed by appropriate disciplinary measures.

The Finance Director shall provide a final review of monthly purchase logs for City-issued credit cards.

Credit Card Cancellation – May be cancelled by the Department Head or the Finance Director.

## **Changes in Employment Status**

Promotion, transfer, etc.:

In the event a cardholder changes employment status with the City, their current card must be turned in to the Finance Director and the card account shall be closed

Note: If your funding information does not change, then you don't need to cancel the card.

Resignation, termination, etc.:

If a cardholder's status with the City changes in such a manner that he/she is no longer an employee of the City their card must be turned in to the Finance Director and card account shall be closed **IMPORTANT:** This cancellation must be in writing. (See Attachment 4)

Account closing procedure:

The cardholder should cut the card in half, and send it with a final credit card log form marked "delete" to the Finance Director

## **5.0 RETURNS, CREDITS AND DISPUTED ITEMS**

### **What if There is an Error on the Statement or Other Problems?**

In the case of an exception or disputed charge, you should first contact the supplier. Most exceptions or issues can be resolved between the cardholder and the supplier. If you cannot reach an agreement with the supplier, the next step is to contact the Finance Director.

### **Disputed Purchases**

If after the audits, it is determined that some charges are disputable, the Finance Director will immediately investigate these charges to determine if any abuse has occurred or if the charges are valid. If an extended investigation is necessary, the cardholder will be notified of the disputed charges. Anyone suspecting fraudulent use or misapplication of the card should report this immediately to the Finance Director.

### **Disputed Charges Procedures**

1. Cardholder attempts to resolve disputes (or returns) directly with the vendor.

### **Lost or Stolen Cards**

In the event your card is lost or stolen, you (the cardholder) must notify the selected vendor and the Finance Director immediately! Representatives of The selected vendor are available 24 hours a day. Lost or stolen cards will be replaced by the selected vendor within fifteen (15) days after notification of the loss.

(Tell the representative the call is regarding a Purchasing Card. Always obtain the name of the selected vendor representative to whom you reported the lost or stolen card.)

**Liability.** The City is financially liable for the card in the event it is lost or stolen and is subsequently used. Total liability for all state agencies together is \$10,000 per year; after that limit is reached, it is \$500 per Card per year. This will come out of your budget. However, once you have notified the selected vendor that your card is lost or stolen; the City is no longer liable for any purchases made with the card.

## **Returned Merchandise**

If a cardholder returns Credit Card merchandise to the store of purchase, the cardholder is to obtain a credit against the Credit Card. **Cash reimbursements are not allowed.**

In the event there are returns, the cardholder is to log the Statement for the credit and attach the credit slip to the statement when processing for payment. If a credit slip was not obtained, the cardholder is to attach a written explanation of the return. If credit does not appear by the second subsequent statement, the cardholder is to contact the Finance Director.

## **6.0 CREDIT CARD SECURITY**

The Credit Card should always be treated with at least the same level of care that you treat your own personal credit cards.

### **Storage of the Credit Card**

Keep your credit card in an accessible but secure location. Since you, as the Cardholder, should be the only one using the card, it needs to be accessible only to you.

### **Account Number**

Guard the credit card account number carefully! Do not post it at your desk or write it in any other place that is easily accessible by others.

## **7.0 AUDIT**

The Department head is responsible for verifying and sending an accurate Log to the Finance Department every Month.

**EMPLOYEE AGREEMENT  
USE OF  
CREDIT CARD  
ISSUED BY THE CITY OF TERRELL, TEXAS**

The City of Terrell, Texas is pleased to present you with this credit card. It represents the City's trust in you and your empowerment as a responsible agent to safeguard and protect our assets.

I, \_\_\_\_\_, hereby acknowledge receipt of a City of Terrell, Texas Corporate Credit Card, number \_\_\_\_\_. As a Cardholder, I agree to comply with the terms and conditions of this Agreement, including the "City of Terrell, Texas Credit Card Program Procedures".

I acknowledge receipt of said Agreement and Procedures and confirm that I have read and understand the terms and conditions. I understand that the City is liable to for all City charges.

I agree to use this card for City approved purchases **only** and agree **not** to charge personal purchases. I understand that the City **will** audit the use of this card and report any discrepancies.

I further understand that improper use of this card may result in disciplinary action, up to and including **termination** of employment. Should I fail to use this card properly, I authorize the City to deduct from my salary that amount equal to the total of the discrepancy. I also agree to allow the City to collect such amounts even if I am no longer employed by the City.

I understand that the City may terminate my right to use this card at any time for any reason. I agree to return the card to the City immediately upon request or upon termination of employment.

Employee:

Signature\_\_\_\_\_

Date\_\_\_\_\_

Department \_\_\_\_\_ Phone Ext.\_\_\_\_\_

**EMPLOYEE AGREEMENT  
FOR USE OF A CREDIT CARD  
ISSUED BY THE CITY OF TERRELL, TEXAS**

**The use of the City's credit card represents the City's trust in you and your empowerment as a responsible agent to safeguard and protect our assets.**

**I, \_\_\_\_\_, hereby acknowledge receipt of a City of Terrell, Texas Corporate Credit Card, number (Last 4 Numbers)\_\_\_\_\_. As a User of this corporate credit card, I agree to comply with the terms and conditions of this Agreement, including the "City of Terrell, Texas Credit Card Program Procedures."**

**I acknowledge receipt of said Agreement and Procedures and confirm that I have read and understand the terms and conditions. I understand that the City is liable for all City charges.**

**I agree to use this card for City-approved purchases only and agree not to charge personal purchases. I understand that the City will audit the use of this card and report any discrepancies.**

**I further understand that improper use of this card may result in disciplinary action, up to and including, termination of employment. Should I fail to use this card properly, I authorize the City to deduct from my salary that amount equal to the total of the discrepancy. I also agree to allow the City to collect such amounts even if I am no longer employed by the City.**

**I understand that the City may terminate my right to use this card at any time for any reason. I agree to return the card to the City immediately upon request, or upon termination of employment.**

**Employee:**

**Signature\_\_\_\_\_**

**Date\_\_\_\_\_**

**Department \_\_\_\_\_ Phone Ext.\_\_\_\_\_**

**ATTACHMENT 3**

NAME:	NUMBER:				
DEPARTMENT:	PERIOD:				
STATEMENT DATE :	DATE		TO		
CODE	ACCOUNT	PURCHASE DATE	DESCRIPTION	VENDOR	AMOUNT
				TOTAL THIS PAGE:	
				PREVIOUS PAGE:	
				TOTAL CHARGES:	

CODE	ACCOUNT	TOTAL CHARGES

---

Purchaser / Date

---

Department Head / Date

---

Accounting / Date

## **STATEMENT OF QUESTIONED ITEM**

RETURN ADDRESS:

To assist in our investigation, please indicate below the reason for your dispute

I did not make nor authorize the above transaction.  
(Please indicate the whereabouts of your credit card).

There is a difference in the amount I authorized and the amount I was billed. (A copy of your charge must be enclosed).

I only transacted one charge and I was previously billed for this sales draft. Date of previous charge \_\_\_\_\_.

The above transaction is mine but I am disputing the transaction. (Please state your reasons why in detail).

Please send me a copy of the sales draft. (Your account will be charged \$5.00 for each copy supplied).  
 I have received a credit voucher for the above transaction, but it has not yet appeared on my account. (A copy of the credit voucher must be enclosed).

My account has been charged for the above transaction, but I have not received this merchandise. The details of my attempt to resolve the dispute with the merchant and the merchant's response are indicated below.

My account has been charged for the above transaction, but the merchandise has since been returned.  
(Please enclose a copy of your postal receipt).

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Send completed form to: City of Terrell  
Accounting Dept.  
P.O. Box 310  
Terrell, Texas 75160

The completed form may be faxed to (972) 551-1101

**City of Terrell**  
**Financial Policy Manual**  
**UNCLAIMED PROPERTY REPORTING POLICY AND PROCEDURE**

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**City of Terrell**  
**Financial Policy Manual**  
**UNCLAIMED PROPERTY REPORTING**

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**1.0 PURPOSE OF POLICY AND PROCEDURE:**

Unclaimed Property is generally defined as cash and other financial assets that are considered lost or abandoned after the **owner** cannot be located by the **holder** of the asset within a specified period of time. Unclaimed property is typically created when the asset owner forgets that an account exists, or moves and does not leave a forwarding address or the forwarding order expires. In some cases, the owner dies and the heirs have no knowledge of the personal property.

All states acquire unclaimed property through their Unclaimed Property laws which require holders (e.g. corporations, financial institutions, insurance companies, counties, school districts and **municipalities**) of owners' unclaimed property to annually report and deliver/remit property after there has been **no owner contact for a specified period of time**. The property is presumably abandoned and therefore unclaimed after the specified period of time. When the abandonment/dormancy period of time has been reached the holder submits an unclaimed property report and the owner's property to the applicable state where the owner resides. The owner's last known address defines which state receives the report and escheatment of property.

Many states, including Texas, require counties, **municipalities** and school district holders of unclaimed property to publish a notice annually in a newspaper of general circulation in each holder's local jurisdiction to inform owners of abandoned property that they may have unclaimed property to claim.

Unclaimed Property laws were enacted by states to return unclaimed personal property to the lawful owners and prevent holders from using this money and converting it to revenue. No unclaimed property may be written off to income or surplus. State and local governments do not take permanent title to these escheated funds but act only as custodians to safeguard the property in perpetuity or until claimed by the rightful legal owner or heir.

Most state and local governments are committed to processing all unclaimed property claims within 90 days or less. There is no charge to the owner to submit a claim to a state or local government who has custody of their property and in all 50 states and possessions there is no time limitation for an owner to file a claim.

The property type determines the length of time for the abandonment period for each state. This period of time, as well as unclaimed property rules and regulations, varies from state to state but generally ranges from one to fifteen years. The most common property types of unclaimed property include:

- un-cashed accounts payable, payroll and cashiers checks
- customer accounts receivable credit balances
- stocks, bonds, mutual fund accounts
- utility deposits
- bank accounts
- safe deposit box contents

- insurance proceeds
- mineral interests and royalty payments
- court deposits, trust funds, escrow accounts
- money orders
- traveler's checks

**Abandonment periods for common types of unclaimed property reportable to the State of Texas and local governments:**

- employee payroll checks: 1 year or older,
- customer/vendor accounts payable checks: 3 years or older
- customer accounts receivable credit balances: 3 years or older.

**2.0 SPECIAL UNCLAIMED PROPERTY REPORTING PROCEDURES FOR THE STATE OF TEXAS LOCAL GOVERNMENTS:**

**2.1 Procedure for Reporting and Remitting Assets Over \$100 and Under \$100:**

During the 75<sup>th</sup> Texas Legislative Session, Senate Bill 700 was introduced and subsequently passed effective September 1, 1997. This legislation updated the Texas Property Code by adding Chapter 76, requiring counties, school districts and **municipalities** to report and remit abandoned property valued at \$100 or less to the treasurer of that county, school district or municipality. The law also requires each county, school district and city to develop an unclaimed property program for reporting, public notification, claims processing, enforcement, and accounting for this locally-reported abandoned personal property.

Beginning on the November 1, 1998, due date, Texas law required each county, municipality and school district to file **two** unclaimed property reports for the report year ending June 30, 1998 and every report year thereafter. One report for property valued at **\$100 or less** must now be sent to the county, city or school district treasurer or whoever has been designated to handle this function. The second report for unclaimed property valued at **greater than \$100** must be sent to the State of Texas Comptroller.

**➤ Assets Greater Than \$100.00:**

Pursuant to the Texas Property Code, Title 6, Unclaimed Property and the Texas Comptroller of Public Accounts, “*Texas Unclaimed Property Holder Reporting Section—2008 Reporting Instructions*,” Page 35, (Schedule A) or before November 1<sup>st</sup> of each year, Texas counties, **municipalities** and school district holders shall submit Report Forms #53-119, **Texas Unclaimed Property Holder Report and Payment** and #53-105, **Texas Report of Unclaimed Property** and remit individual unclaimed property amounts **greater than \$100.00** to the State of Texas Comptroller of Public Accounts. The reporting period cutoff ending date is June 30<sup>th</sup> or four months preceding the November 1<sup>st</sup> reporting deadline each year. Property owners for this type of unclaimed property submit claims directly to the State of Texas who processes the claims and payments to owners.

**NOTE:** If the property is greater than \$100 and the last known address of the owner is an out of state address, the appropriate unclaimed property report and remittance must be sent to that state in accordance with the state’s instructions.

➤ **Assets \$100.00 or Less:**

Pursuant to the Texas Property Code, Title 6, Chapter 76, “*Report, Delivery and Claims Process For Certain Property*,” Subchapter A, General Provisions, Section 76.001, (Schedule B) on or before November 1<sup>st</sup> of each year, individual unclaimed amounts of **\$100.00 or less** shall be remitted with holder Report Forms #53-119, **Texas Unclaimed Property Holder Report** and Payment and #53-105, **Texas Report of Unclaimed Property** to the holder’s local government treasurer who shall publish the missing owners’ names in a newspaper in the calendar year immediately following the year in which the property report is filed and process and pay all valid claims submitted by prospective owners. Owners, heirs and assignees may claim their property from these local government holders without any fees or service charges.

Pursuant to the Texas Property Code, Title 6, Chapter 76, Subchapter 601, the local government treasurer/holder shall create and maintain a fund known as the “**Unclaimed Money Fund**” from which disbursements are made to owners for their unclaimed property.

2.2 **Public Legal Notification:**

The local government treasurer, during the calendar year following the receipt of a property report, may mail a notice to each unclaimed property owner who appears to be entitled to the reporting property. A mailed notice is not required; however, a published notice in the legal notices’ section of a newspaper of general circulation in the holder’s jurisdiction is required in the calendar year immediately following the report year.

If the City decides to send mailed notices to unclaimed property owners in addition to the newspaper publication, Schedule C.2 is a representative example of such a mailed notice.

There are no formal guidelines as to the information to be included in the publication so each local government may format and include whatever content and information it deems appropriate in the circumstances. Schedule C, **City of Terrell Notice of Abandoned and Unclaimed Personal Property**” is a representative example of a newspaper publication notice that would be appropriate for the City of Terrell to use.

3.0 **OWNER CLAIM FORMS AND INSTRUCTIONS:**

3.1 **Owner Claim Forms:**

Owner/claimants must file a **TEXAS UNCLAIMED PROPERTY ORIGINAL OWNER CLAIM FORM**, (Schedule D) that includes an instruction page, **INSTRUCTIONS – ORIGINAL OWNER CLAIM FORM**, (Schedule D.1) with the City’s Finance Department and attach the following documentation to successfully claim their property:

- Photocopy of owner’s driver’s license or other photo identification,
- Proof of owner’s social security number. Photocopies of any of the following documents provide acceptable proof of an owner’s social security number:
  - ✓ social security card,
  - ✓ tax return or records,
  - ✓ school records,
  - ✓ military identification,
  - ✓ payroll check stub, or
  - ✓ insurance identification card.

- If there is an additional owner of the property listed on the claim form, provide the same identification as above for that co-claimant as well.
- Verification must be made if the owner's last known address as shown by the City's records is different from the owner's current address. Proof must be established by associating the claimant with the last known address provided to the City. Photocopies of the following documents are acceptable:
  - ✓ utility bill,
  - ✓ mortgage payment coupon,
  - ✓ post-marked envelope,
  - ✓ driver's license,
  - ✓ cancelled check,
  - ✓ birth certificate,
  - ✓ school report card,
  - ✓ credit report, and
  - ✓ payroll check stub
- If the City does not have a record of the owner's social security number, account number or last known address of the owner/claimant, **proof of business transactions between the owner and City** may be the only information that the City has to determine rightful ownership, therefore photocopies of the following documents are acceptable:
  - ✓ invoice, receipt, account statement, court document or
  - ✓ any other document that establishes a business relationship between the owner/claimant and the City.

The owner/claimant must complete, sign and return the claim form to the City with the above required identification and documentation. The City may be able to establish ownership based upon the available information that an owner/claimant submits even if he/she is unable to provide all of the requested documents.

The City of Terrell will review each claim carefully and a payment to the claimant determination shall be made as quickly as possible if proof of ownership exists. If the evidence is not adequate to prove a claimant's ownership, the City shall contact the claimant for additional information or return all documents submitted with a letter stating why the claim is incomplete or rejected.

### 3.2 Tracking Claims on Unclaimed Property Records:

The local government treasurer must track and maintain a claim status on all individual owners' unclaimed personal properties. The three "claim status indicators" are:

- "N" is the original status indicating no claim has been made.
- "M" is indicated when a claim form has been received from a claimant.
- "C" indicates that the property has been claimed.

The foregoing three "claim status indicators" should be appropriately entered in the **Status** field on Schedule E, **"Outstanding Checks \$100 or Less Published By The City of Terrell In A Local Newspaper – City of Terrell To Process and Pay Owners' Claims."**

Tracking each property record is important. When property has been claimed, it cannot be eliminated from the original database (i.e. Schedule E). The individual property record must stay to maintain the integrity of the original database. A record of the name, address and amount for each claimant should be available for review or audit, particularly if another, or the same claimant comes forward again to claim the same property.

It is important to be able to demonstrate consistency in approving or rejecting claims. An owner whose claim has been rejected can appeal the City's decision pursuant to Title 6, Chapter 76, Subchapter F, and Section 505.

#### **4.0 DUE DILIGENCE REVIEW OF OUTSTANDING CHECKS AND CUSTOMERS' ACCOUNTS RECEIVABLE CREDITS:**

Rather than waiting for the one or three year abandonment periods of time to lapse when the likelihood of locating a property owner becomes minimal, a systematic due diligence review of all un-cashed/outstanding checks and stale-dated customer accounts receivable credit balances should be conducted within 90 to 120 days from the date of presumptive abandonment by researching check payee/owners and customers new addresses and re-mailing or telephoning those vendors and customers when appropriate.

#### **5.0 CRIMINAL AND CIVIL OFFENSE:**

Under the State of Texas Property Code, Title 6, Unclaimed Property, Chapter 71, a holder is subject to the following criminal and civil penalties:

##### **(a) A person commits an offense if the person:**

- (1) willfully fails to file a report required by this Chapter,
- (2) refuses to permit examination of records in accordance with this Chapter,
- (3) makes a deduction from or a service charge against a dormant account or dormant deposit of funds, or
- (4) violates any other provision of this Chapter.

##### **(b) An offense under this Section is punishable by:**

- (1) a fine of not less than \$500 or more than \$1,000,
- (2) confinement in jail for a term not to exceed six months, or
- (3) both the fine and confinement.

##### **(c) In addition to a criminal penalty, a person who commits an offense under Subsection (a) is subject to a civil penalty not to exceed \$100 for each day of the violation. The attorney for the holder shall collect the civil penalty by bringing suit in a district court of the county in which the holder is located.**

#### **6.0 INTEREST AND PENALTY - FAILURE TO PAY OR DELIVER PROPERTY WITHIN THE PRESCRIBED TIME:**

Under the State of Texas Property Code, Title 6, Unclaimed Property, Chapter 71, a holder is subject to the following interest and penalty provisions:

##### **6.1 Interest:**

A holder who fails to pay or deliver property within the prescribed time shall pay interest at an annual rate of ten percent (10%) of the value of the property from the date the property should have been paid or delivered until the date the property is actually paid or delivered.

##### **6.2 Penalty:**

A penalty equal to five percent (5%) of the value of the property shall be imposed on

a holder who fails to pay or deliver property within the prescribed time. If a holder fails to pay or deliver property before the 31<sup>st</sup> day after the date the property is due, an additional penalty equal to five percent (5%) of the value of the property shall be imposed.

For property that should have been reported on prior years' reports, the State Comptroller will calculate the amount of interest and penalty and send the holder a bill for the amount owed in arrears.

## 7.0 MISCELLANEOUS PROVISIONS:

### 7.1 Record Retention Requirements:

Record retention requirements vary from state to state. The State of Texas requires that all Unclaimed Property reports and related records and information be retained for ten (10) years.

### 7.2 Negative or Zero Reporting Requirements:

Many states require holders to submit a Negative Unclaimed Property Report if there is no unclaimed property to report. The State of Texas does not require negative reporting.

### 7.3 Texas Reporting Methods:

Unclaimed Property Reports may be submitted to the State of Texas and local governments using any of the five delivery methods listed below with NAUPA formatting: (NAUPA = National Association of Unclaimed Property Administrators)

- internet,
- diskette,
- CD Rom,
- magnetic tape cartridge (3480 or 3490), or
- manual report form (Forms #53-119 and #53-105)

**NOTE:** Manual reporting to the State of Texas Comptroller may not be used if there are more than 9 property owners to report; however, this provision does not apply to local government reporting for Texas counties, municipalities and school districts.

### 7.4 Combining Properties Owed to the Same Owner:

Owners who are owed more than one amount of the same property type should be listed on the State of Texas Unclaimed Property Report only once. Accumulate all the amounts due the owner during the applicable reporting period into one total. Provide the beginning and ending dates, or check numbers, on which the amount were paid.

### 7.5 Filing for Reimbursements or Refunds:

A holder who pays an owner after a Report and remittance has been submitted to the State of Texas can file a reimbursement claim with the State. The reimbursement route should be used for those customers and owners demanding immediate payment. The State of Texas can process a reimbursement faster than an owner claim and the owner will not be charged the State's 1.5% processing fee. The holder must submit a completed Form #53-115, **Texas Unclaimed Property Holder Reimbursement Request Form** and proof of payment for each owner that was paid. After receipt of a holder's reimbursement request form and proof of payment to the owner, the State will mail a reimbursement check to the holder in approximately three weeks.

Refunds will be made to holders who have inadvertently overpaid the State of Texas unclaimed property report because of accounting errors or other mistakes made during the preparation of the

reports. To claim a refund, a holder must submit a completed Form #53-116, **Texas Unclaimed Property Holder Refund Request Form** with an explanation and reasons for the requested refund. The State will mail a refund check to the holder in approximately three weeks.

**City of Terrell**  
**Texas Unclaimed Property**  
**INSTRUCTIONS - ORIGINAL OWNER CLAIM FORM**

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Owner/claimants must file a **Texas Unclaimed Property Original Owner Claim Form** (Schedule C) with the City's Finance Department and attach the following documentation to successfully claim their property:

- Photocopy of owner's driver's license or other photo identification,
- Proof of owner's social security number. Photocopies of any of the following documents provide acceptable proof of an owner's social security number:
  - ✓ social security card,
  - ✓ tax return or records,
  - ✓ school record
  - ✓ military identification,
  - ✓ payroll check stub, or
  - ✓ insurance identification card.
- If there is an additional owner of the property listed on the claim form, provide the same identification as above for that co-claimant as well.
- Verification must be made if the owner's last known address as shown by the City's records is different from the owner's current address. Proof must be established by associating the claimant with the last known address provided to the City. Photocopies of the following documents are acceptable:
  - ✓ utility bill,
  - ✓ mortgage payment coupon,
  - ✓ post-marked envelope,
  - ✓ driver's license,
  - ✓ cancelled check,
  - ✓ birth certificate,
  - ✓ school report card,
  - ✓ credit report, and
  - ✓ payroll check stub
- Proof of business transactions between the owner/claimant and the City. If the City does not have a social security number, account number or last known address of the owner/claimant, this may be the only information that the City has to determine rightful ownership. Photocopies of the following are acceptable:
  - ✓ invoice,
  - ✓ receipt,
  - ✓ account statement,
  - ✓ court document, or
  - ✓ any other document that establishes a business relationship between the owner and the City.

The owner/claimant must complete, sign and return the claim form to the City with the above required identification and documentation. The City may be able to establish ownership based upon the available information that an owner/claimant submits even if he/she is unable to provide all of the requested documents.

The City of Terrell will review each claim carefully and a payment to the claimant determination shall be made as quickly as possible if proof of ownership exists. If the evidence is not adequate to prove a claimant's ownership,

the City shall contact the claimant for additional information or return all documents submitted with a letter stating why the claim is incomplete or rejected.

## Schedule D

### TEXAS UNCLAIMED PROPERTY ORIGINAL OWNER CLAIM FORM

Mail or deliver to the following address:

Claim Number

**City of Terrell – Finance Dept/Unclaimed Property  
P.O. Box 310  
201 E. Nash Street  
Terrell, TX 75160**

<b>CLAIMANT INFORMATION</b>					
Name	(Last)	(First)	(Middle)	(Maiden)	Social security number
Additional Owner	(Last)	(First)	(Middle)	(Maiden)	Social security number
Current mailing address					Daytime phone (Area code and number)
City		State			ZIP Code
E-mail address					FAX (Area code and number)
The named Claimant hereby certifies that this claim for property presumed abandoned is valid and just, that all statements herein are true and correct, and upon payment of this claim said Claimant will indemnify and hold harmless the City of Terrell and its employees from any damages, claims or losses of any kind resulting from the payment of the property to the Claimant.					
<b>sign here</b>	Claimant's signature				Date
<b>sign here</b>	Additional owner's signature				Date

**PLEASE DO NOT WRITE BELOW THIS LINE**

<b>PROPERTY INFORMATION</b>		
Reported property owner	Reported additional owner	
Reported property address		
Property type	Description	
Reporting Company	Last active date	Claimed amount

- <b>FOR INTERNAL USE ONLY-</b>			
Issued to			
Approved by	Date	Number of properties	Total amount of claim

**The Claimant must complete, sign and return this Claim Form to the City of Terrell with the required identification and documentation per the instructions as described in the attached Schedule D-1, Texas Unclaimed Property, INSTRUCTIONS – ORIGINAL OWNER CLAIM FORM.**

**The City of Terrell will review each claim carefully and a payment to the Claimant determination shall be made as quickly as possible if proof of ownership has been established. If the evidence is not adequate to prove a Claimant's ownership, the City**

**shall contact the Claimant for additional information or return all documents submitted with a letter stating why the claim is incomplete or rejected.**

# **INVESTMENT POLICY**

## **TABLE OF CONTENTS**

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- VII   AMENDMENTS**
- 1.8    RESOLUTION NO. 935**

**RESOLUTION NO. 935**

**A RESOLUTION OF THE CITY OF TERRELL, TERRELL, TEXAS,  
ESTABLISHING A POLICY GOVERNING THE INVESTMENT OF CITY  
FUNDS**

**WHEREAS**, the Public Funds Investment Act (Chapter 2256 of the Texas Government Code) requires that investments shall be made in accordance with written policies approved by the governing body; and

**WHEREAS**, investment policies must address diversification, safety of principal, yield, maturity, with primary emphasis on safety and liquidity; and

**WHEREAS**, the City of Terrell City Council finds that the Investment Policy attached hereto is in the best interests of the City in order to promote sound management of the City's funds.

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

**Section 1.** The Terrell City Council hereby adopts Exhibit "A" attached hereto as the Terrell Investment Policy which shall govern the investment of the City's funds in accordance with federal and state law.

**Section 2.** That this resolution shall take effect immediately from and after its passage.

**PASSED, ADOPTED AND APPROVED** by the City Council of the City Terrell this the 3<sup>rd</sup> day of September, 2019.

**APPROVED:**

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**Rick Carmona Mayor**

**ATTEST:**

*John Rounsvall*  
**John Rounsvall, City Secretary**

# Exhibit A

## City of Terrell, Texas

### Investment Policy

#### I. PURPOSE

Authorization of this Policy was adopted by the Terrell City Council on September 7<sup>th</sup> , 2010, in accordance with the Texas Public Funds Investment Act. The investment policy shall be formally approved and adopted by the governing body of the City and reviewed annually

#### II. Scope

This policy applies to the investment of all funds, excluding the investment of employees' retirement funds. Proceeds from certain bond issues and assets managed under separate investment programs.

1. Pooling of Funds Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. *[This paragraph refers to the pooling of funds within City of Terrell, and implies no reference to local government investment pools]*

#### III. 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

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section V
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

###### b. Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- 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
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see section VIII).

## 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 securities 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 securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in 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 the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

## **IV. Standards of Care**

### **1. Prudence**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "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."

### **2. Ethics and Conflicts of Interest**

Officers and employees involved in the investment process 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. Employees and investment officials 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. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

### **3. Delegation of Authority**

An investment committee shall be established consisting of the City Manager or his designee and the City Secretary. The Investment Committee shall determine general strategies and monitor performance. All investment procedures must be approved by the Investment Committee. Authority to manage the investment program is granted to City Secretary who shall act as the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials

## **V. Authorized Financial Institutions, Depositories, and Broker/Dealers**

### **1. Authorized Financial Institutions, Depositories, and Broker/Dealers**

a list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
- Certification of having read and understood and agreeing to comply with the [entity's] investment policy.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer

## **VI. Safekeeping and Custody**

### **1. Delivery vs. Payment**

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

### **2. Safekeeping**

Securities will be held by a [centralized] independent third-party custodian selected by the entity as evidenced by safekeeping receipts in the city's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70 or SAS 70)

### **3. Internal Controls**

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated annually. 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 requires estimates and judgments by management.

The internal control structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

Accordingly, the investment committee shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures or alternatively, compliance should be assured through the City's annual independent audit.

## **VII. Suitable and Authorized Investments**

### **1. Investment Types**

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- Certificates of deposit and other evidences of deposit at financial institutions,
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;
- Investment-grade obligations of state and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

## **VIII. Investment Parameters**

### **1. Diversification**

The investments shall be diversified by:

- Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- Limiting investment in securities that have higher credit risks,
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations. For cash management funds:

Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.

Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.

Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

The investment committee/investment officer shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit. The committee shall conduct a review of these guidelines and evaluate the probability of market and default risk in various investment sectors as part of its considerations.

### **2. Maximum Maturities**

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The City 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 securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities 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 local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

## **IX. Reporting**

### **1. Methods**

The investment officer 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 the individual transactions executed over the last quarter *(or month)*. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the entity's chief administrative officer, the legislative body, the investment committee and any pool participants. The report will include the following:

- Listing of individual securities held at the end of the reporting period.
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio which each type of investment represents.
- Each quarterly report shall indicate any areas of policy concern and suggested or planned revision of investment strategies. Copies shall be transmitted to the independent auditor.
- The City's annual Comprehensive Annual Financial Report, shall include a report on the investment program and investment activity.

### **2. Performance Standards**

The City's cash management portfolio shall be designed with the objective of regularly meeting or exceeding a selected performance benchmark, which could be the average return on three-month U.S. Treasury bills, the state investment pool or the average rate of Fed funds. These indices are considered benchmarks for lower risk investment transactions and therefore comprise a minimum standard for the portfolio's rate of return.

## **X. 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. Amendments**

This policy shall be reviewed on an annual basis. Any changes must be approved by City Council.

**ORDINANCE 0. 2845**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TERRELL, TEXAS, ESTABLISHING A CITY COUNCIL CODE OF ETHICS; AN ETHICS AFFIDAVIT ESTABLISHING LEGAL AND ETHICAL STANDARDS TO GUIDE THE ACTIONS OF MEMBERS OF THE TERRELL CITY COUNCIL, AND TO HOLD CITY COUNCIL MEMBERS ACCOUNTABLE FOR ANY VIOLATIONS OF THESE STANDARDS OF CONDUCT.**

**WHEREAS**, the office of City Council member is one of great trust and service to the citizens of Terrell, and thereby creates a special responsibility for each member of the Terrell City Council; and

**WHEREAS**, in response to this unique challenge and responsibility, the City Council is expected to govern the City in a manner associated with a commitment to ethical, open, fair, efficient and effective government; and

**WHEREAS**, both the laws of the State of Texas and the Terrell City Charter address the legal obligations and responsibilities of City Council members, it is further important to clearly specify all legal and ethical expectations by using the added measure of a locally-adopted City Council Code of Ethics; and

**WHEREAS**, the most efficient and effective manner by which to avoid ethical or legal missteps is to clearly state expectations and the most productive means by which to enforce a Code of Ethics is through voluntary compliance and self-reporting; and

**WHEREAS**, the Terrell City Council finds that the adoption of this Ordinance serves a public purpose by promoting the preservation of the values and integrity of representative local government and democracy.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF TERRELL, TEXAS:**

**Section 1.** The Terrell City Council hereby adopts the City Council Code of Ethics attached hereto as Exhibit "A".

**Section 2.** The Terrell City Council further approves the adoption and implementation of an Ethics Affidavit which shall be required to be fully and accurately completed,

executed and submitted to the City Secretary by all persons prior to being sworn into office as a member of the City Council, said affidavit attached hereto as Exhibit "B".

**Section 3.** Violations of this Ordinance, the City Council Code of Ethics or the Ethics Affidavit, may result in forfeiture of the office of City Council member, consistent with Article II of the Charter of the City of Terrell.

**Section 4.** All provisions of any ordinance in conflict with this Ordinance are hereby repealed to the extent they are in conflict; but such repeal shall not abate any pending prosecution for violation of the repealed ordinance, nor shall the repeal prevent a prosecution from being commenced for any violation if occurring prior to the repeal of the ordinance. Any remaining portions of said ordinances shall remain in full force and effect.

**Section 5.** Should any section, sentence, clause or phrase of this Ordinance be declared unconstitutional, in conflict with the City of Terrell, Texas Charter, or invalid by a court of competent jurisdiction, it is expressly provided that any and all remaining portions of this Ordinance shall remain in full force and effect. The City hereby declares that it would have passed this Ordinance, and each section, paragraph, clause or phrase thereof irrespective of the fact that any one or more sections, paragraphs, sentences, clauses and phrases be declared unconstitutional or invalid.

**Section 6.** This Ordinance shall be in effect immediately upon adoption.

**PASSED AND APPROVED** this 22<sup>nd</sup> day of September, 2020.

**PASSED AND ADOPTED** this 6<sup>th</sup> day of October, 2020.



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E. RICK CARMONA, Mayor

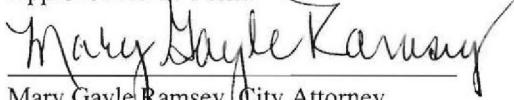
ATTEST:



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Dawn Steil, City Secretary

Approved As To Form:



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Mary Gayle Ramsey

Mary Gayle Ramsey, City Attorney

## **EXHIBIT "A"**

### **CITY COUNCIL CODE OF ETHICS**

The office of an elected official is one of trust and service to the citizens of Terrell. This position creates a special responsibility for the Terrell City Council member. In response to this unique challenge, the City Council is expected to govern this City in a manner associated with commitment to the preservation of the values and integrity of representative local government and local democracy and dedication to the promotion of efficient and effective government.

To further these objectives, certain ethical principles shall govern the conduct of every City Council member, who shall adhere to the following:

1. Dedicate themselves to the highest ideals of honor and integrity in all public and personal relationships in order that the member may merit the respect and confidence of the citizens of Terrell.
2. Recognize that the chief function of local government at all times is to serve the best interests of all the citizens of Terrell.
3. Be dedicated to public service by being cooperative and constructive and by making the best and most efficient use of available resources.
4. Refrain from any activity or action that may hinder their ability to be objective and impartial on any matter coming before the City Council.
5. Do not seek or accept gifts, services, special favors or things of value; believe that personal gain by use of confidential information or by misuse of public funds, property or time is dishonest.
6. Do not use or otherwise gain private benefit for oneself or grant any benefit to another, from the use of City facilities, equipment, vehicles, supplies, tools, materials, or any other property or resource, including personnel, in a manner not available to other citizens of the City.
7. Do not seek, use or accept City services in a manner or at a cost not typically available to other citizens of the City, including but not limited to: paying utility or other charges or assessments in a timely manner, including any penalties; applying and paying for any required permits and registrations; complying with all municipal codes and following the lawful instructions of City code enforcement and other City officers; seeking to interfere in or avoid Municipal Court service, summons or fines.

8. Avoid the undesirable influences of family relationships or close relatives of the members of the City Council; the appearance of preferential treatment related to family relationships or close relatives; and any interference with the proper administration of the affairs of the City of Terrell.

Nepotism is the showing of favoritism toward a relative. The City forbids the practice of nepotism in hiring personnel or awarding contracts. No person related within the second degree by affinity or third degree by consanguinity to the Mayor or any member of the City Council or the City Manager or to any employee who would supervise his or her job performances either directly or indirectly shall be appointed to any paid office or position of the City. This prohibition shall not apply to any person who shall have been employed by the City for two (2) or more years prior to and at the time of election of the Mayor, members of the City Council, or the appointment of the City Manager so related to him or her.

9. The term spouse shall mean persons who are living together in a conjugal relationship, whether legally married or not, and such persons shall be considered spouses for the purposes of determining affinity.
10. Recognize that public and policy decisions, based on established values are ultimately the responsibility of the City Council as a whole.
11. Recognize that to hold oneself out as having more authority than legally granted, or to represent oneself as representing or speaking on behalf of the entire City Council without explicit authorization to do so, said authority given only by a majority vote of the City Council, exceeds the authority of a Council member and risks sending inaccurate, inappropriate messages to citizens and media.
12. Recognize that City Council members must act as members of a team, not as individuals. Do not instruct, threaten, cajole, intimidate or otherwise attempt to make any Council-appointed official act or not act in a certain way. It is also important to remember that the City Council selects and supervises-as a team-only the City Manager, City Secretary, Municipal Judge, City Attorney and Assistant City Attorney; therefore, City Council members shall never instruct City employees or in any manner attempt to interfere with or influence their work. In addition, consultants and contractors of the City are responsive to the City Manager and designated City staff. City Council members shall not be involved in the selection committee for hiring of City staff, consultants or contractors. Any City Council direction on these topics shall be handled through the regular City Council meeting process.

13. Conduct business in open, well-publicized meetings in order to be directly accountable to the citizens of Terrell. It is recognized that certain exceptions are made by state law for executive sessions and any action required as a result of that type of session, will be handled later in the open session as noted on the agenda. Council members should not reveal discussions legally conducted in executive sessions.
14. If a City Council member has a substantial interest (owns 10% or more of the voting stock or shares of the business entity) in a business entity or in real property, the Council member shall file, before a vote or decision on any matter involving the business entity or the real property, an affidavit stating the nature and extent of the interest and shall abstain from further participation in the matter.
15. City Council members should refrain from voting on issues that do not necessarily constitute a legal conflict but may be perceived as a conflict of interest by the public or members of the City Council and should announce the potential conflict when doing so.
16. City Council members shall not engage in any dishonest or criminal act or other conduct prejudicial to the government of the City or that reflects discredit thereon, and further, shall fully comply with all provisions of the Charter of the City of Terrell and all state laws regulating council behaviors.

**EXHIBIT "B"**

**ETHICS AFFIDAVIT**

**STATE OF TEXAS**

**COUNTY OF KAUFMAN**

The office of an elected official is one of trust and service to the citizens of Terrell. This position creates a special responsibility for each member of the Terrell City Council. In response to this unique challenge and responsibility, the City Council is expected to govern the City in a manner associated with a commitment to the preservation of the values and integrity of representative local government and local democracy and dedication to the promotion of open, fair, efficient and effective governance.

Therefore, I, \_\_\_\_\_ (*printed name of affiant*), having been duly elected, or otherwise appointed, consistent with Texas state statutes and the Charter of the City of Terrell, Texas, to serve on the City Council for said City of Terrell, make this affidavit and do hereby on oath state the following:

"I have received, read and agree to abide by the City of Terrell's Council Relations Policy, the Charter of the City of Terrell, and the City Council Code of Ethics in all respects. I further understand my legal obligation to comply with Chapter 171 (conflict of interest), Chapter 176, (vendor conflict disclosure), and Chapter 553 (acquisition of property) of the Texas Local Government Code (Texas Municipal League summaries of which were provided to me by the Terrell City Secretary), as well as all legal requirements contained within the Texas Open Meetings Act and the Open Records Act and state-mandated course completion thereon.

"I further affirm that I am, and shall remain throughout my term of office, in full compliance with the following (*initial each item*):

Residency requirements for the office of Terrell City Council member

All other eligibility requirements of my office contained in state law and City charter

Requirements to declare or otherwise disclose conflicts of interest

Requirements prohibiting nepotism

Seeking or accepting gifts or benefits not readily available to the general public

Using information made known to me only in my position on the City Council, and not readily available to the general public for personal financial gain

Requirements to conduct government in an open and equitable manner

Requirements to file an affidavit prior to discussion or action concerning the acquisition of property using public funds

"In addition, I commit that I shall promptly disclose to the City Secretary, in writing, any knowledge I may have of a violation or appearance of violation of the City charter, state law or the code of ethics by myself or others.

"If at any time following the taking of office I knowingly violate state laws regarding my service on the City Council, my residency should change such that I no longer reside within the district from which I was elected, or it should be determined that my location of residency was incorrect and not within the district from which I was elected at the time of election. I understand and agree that I shall be immediately disqualified from office and will therefore voluntarily step down from my office as a member of the Terrell City Council. I further agree that any violation of this affidavit shall constitute forfeiture of office under Section 205(a) of the City charter. In such instance, my City Council seat shall be vacated, and no further action shall be required by the Mayor or City Council to declare, make, or otherwise cause my position to made vacant."

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

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Signature of Affiant

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Affiant (*printed name*)

**STATE OF TEXAS**

**COUNTY OF KAUFMAN**

This instrument was acknowledged before me on this \_\_\_\_\_ day of \_\_\_\_\_, 2020, by \_\_\_\_\_, a newly elected or appointed City Council member for the City of Terrell, Texas, a municipal corporation chartered by the State of Texas.

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Notary Public, State of Texas