BILL NO. 2016 – 109

ORDINANCE NO. 10518

AN ORDINANCE OF THE CITY OF SEDALIA, MISSOURI ADOPTING FINANCIAL MANAGEMENT POLICIES.

WHEREAS, the City Council of the City of Sedalia, Missouri (the "City Council") finds it is in the best interest of the public to establish certain policies and guidelines for the management of the City's finances; and

WHEREAS, while over time the City has adopted several policies regarding specific financial management related issues, the City Council finds it advantageous to bring all such related policies into one place for ease of reference and maintaining; and

WHEREAS, the City Council also finds it in the best interest of the public to augment its current set of policies with added sections providing more guidance on financial management activities.

NOW THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SEDALIA, MISSOURI as follows:

Section 1. The Financial Management Policies as attached hereto and incorporated herein as though set out in full are hereby adopted.

Section 2. That if any section, subsection, sentence, clause, phrase or portion of the Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holding shall not affect the validity of the remaining potions thereof.

Section 3. That Ordinance 10145 regarding a General Fund – Fund Balance Policy, Ordinance 10143 regarding Cash Management and Investment policies, Ordinance 10144 regarding Internal Control policies, Ordinance 10324 regarding Purchasing policies, and Ordinance 10082 regarding Surplus Property Sales policies are hereby repealed in their entirety.

Section 4. That all other ordinances or parts of ordinance regarding the subject matter herein are hereby repealed and replaced with this Ordinance.

Section 5. This ordinance shall be in full force and effect from and after its passage and approval.

Read two times by title, copies of the proposed ordinance having been made available for public inspection prior to the time the bill is under consideration by the Council and passed by the Council of the City of Sedalia, Missouri this 17th day of October 2016.

Presiding Officer of the Council

Approved by the Mayor of said City this 17th day of October 2016.

Stephen J. Galliher, Mayor

ATTEST:

Arlene Silvey MPCC

Arlene Silvey, MPCC City Clerk

City of Sedalia, Missouri
Financial Management Policies

I. Purpose

The City of Sedalia (City) has an important responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the adequate funding of services and facilities required or desired by the public.

The purpose in establishing a formal set of fiscal policies is to ensure that the public's trust is upheld. By adopting a set of fiscal policies, the City will be establishing the framework under which it will conduct its fiscal affairs, ensuring that it is and will continue to be capable of funding and providing outstanding local government services while being transparent and accountable to the taxpayers.

The City Administrator is the chief administrative officer of the city and is responsible to the Mayor and Council for the proper administration of all the City's affairs. The City Administrator, with the assistance of the Finance Director and other staff, keeps the Council advised of the financial condition of the City and makes recommendations concerning its future needs.

The fiscal policies of the City have specific objectives designed to ensure continued fiscal health. These objectives are:

1. To maintain Council policy-making ability by ensuring that important fiscal decisions are driven by opportunity and service improvement rather than by emergencies or financial problems.
2. To provide Council reliable information so that policy decisions can be made timely and effectively.
3. To provide sound financial principles to guide Council and management in making decisions.
4. To employ revenue policies which prevent undue reliance on a single source of revenue and which provides for stability of essential services.
5. To protect and maintain the City's credit rating.
6. To ensure legal compliance through the budgeting and internal control systems.

II. Accounting Policy

1. The fiscal year of the City begins on the first day of April and ends the last day of March each year. The fiscal year constitutes the budget and accounting year.
2. The City will use generally accepted accounting principles (GAAP) in all financial records and transactions. These principles are monitored and updated by the Governmental Accounting Standards Board (GASB).
3. An independent annual audit will be performed by a certified public accounting firm, which will issue an opinion on the fair presentation of the annual financial statements in accordance with GAAP and a management letter detailing recommendations for improvement of the accounting systems and internal controls.
4. Full disclosure will be provided in the financial statements and bond representations.
5. Financial systems will be maintained to monitor revenues and expenditures / expenses on a monthly basis, with an analysis and adjustments or amendments to the annual budget as appropriate.
6. The Finance Department shall monitor and maintain all financial systems, to include what is commonly referred to as a system of internal controls, in a manner that provides reliable and timely information in a format that facilitates effective financial planning.

III. Budget Policy

1. Budgets for all Governmental Funds and Fiduciary Funds are prepared on a modified accrual basis. Briefly, this means that obligations of the City are budgeted as expenditures as such obligation is incurred, but revenues are recognized only when they are measurable and available.
2. The Enterprise Funds are prepared on the full accrual basis. Briefly this means that for these funds we also recognize expenditures as operating expenses when the obligation is incurred. Further, depreciation is recorded as an operating expense for capital assets as they are consumed. Additionally, a separate capital budget is maintained to identify capital asset expenditures when purchased. Revenues are recognized when they are obligated to the City.
3. City staff will strive to develop appropriate program measurements to identify the relative success of each program or service in relationship to the cost of delivering such service.
4. In all cases, when goods or services are not received by year-end, encumbrances lapse.
5. In order to assure stability and sustainability of services, as well as, to avoid decisions made in the climate of emergency rather than opportunity, the budgeting process shall include a realistic outlook to the future. Specifically the budgeting process shall include a capital spending and debt service plan for at least the next five years, along with revenue and operating expenditure forecasts for at least the next three years.
6. Just prior to the first Council meeting in January of each year, the City Administrator will schedule and coordinate a public hearing. During this hearing staff will provide a review of the short and long term goals set during the previous strategic planning session. The Mayor will then call for input from the public for goals they would like to see Council consider in their upcoming annual strategic planning session.
7. In Early January after the public hearing described above and before the preliminary budget numbers are completed by the department directors, the City Administrator will schedule and coordinate a Strategic Planning Session with Council and the Mayor. This planning session shall be attended by the Council, the Mayor, City Administrator, and Department Directors or Managers. This session provides an opportunity for the Mayor and Council, in consultation with management, to set preliminary guidelines as well as to set general funding priorities.
8. During the second regular City Council meeting in February, the City Administrator, with the assistance of staff, shall present an operational overview that details the current program results, new initiatives, financial status, and trends, along with a preview of the proposed budget and capital improvement plan for the upcoming fiscal year based on the guidelines and priorities set in the strategic planning session.
9. A Council work session shall be held between the second regular council meeting in February and the first regular council meeting in March. During this work session the City Administrator with the assistance of staff will present a summary of projected available funding for the upcoming fiscal year along with proposed expenditures for consideration of funding. As part of the presentation, the City Administrator shall provide their recommendations for funding, while highlighting major items for Council deliberation. Such recommendations shall be within the City's Fund Balance Policy. Based on consensus reached by Council, staff shall then prepare a proposed budget and five year capital improvement plan.
10. During the first regular Council meeting in March, the City Administrator shall present the proposed budget and capital improvement plan in summary form, drawing out

comparisons to the strategic plan and the consensus reached on major items at the work session, as well as significant trends.

11. A public hearing shall be conducted prior to the second regular Council meeting in March for the purpose of providing the opportunity for the citizens to formally voice any suggestions or concerns they may have regarding the proposed budget and capital improvement plan. Based on this input, Council shall consider and make any changes in accordance with the majority of the Councils wishes to the proposed budget and / or the capital improvement plan prior to their adoption during its last regular Council meeting in March.
12. The adopted budget and capital improvement plan shall be on record in the City Clerk's office and open to public inspection.
13. After adoption of the budget, the budget can be amended via ordinance to increase expenditures. Upon Council approval of such an ordinance, additional appropriations are made in the appropriate department.
14. In accordance with Missouri Revised Statutes Section 67.070: if at the beginning of any fiscal year, a budget has not been adopted, the previous budget spending levels shall be appropriated until such time that a budget is adopted.

IV. General Fund Balance Policy

1. Purpose - The City of Sedalia, Missouri has enacted the following policy in an effort to ensure financial security through the maintenance of a healthy reserve fund that guides the creation, maintenance, and use of resources for financial stabilization purposes. The City's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The City also seeks to maintain the highest possible credit ratings which are dependent, in part, on the City's maintenance of a healthy fund balance.
2. Definitions
    a. Fund balance -- The excess of assets over liabilities in a governmental fund. Designations listed from most to least restricted:
    b. Nonspendable fund balance -- Amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact (such as the principle (corpus) of a deferred compensation account.)
    c. Restricted fund balance -- Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Example: Sedalia fund balance Restricted for Capital Improvements.
    d. Committed fund balance -- Amounts constrained to specific purposes by a government itself imposed by formal action (ordinance) using its highest level of decision-making authority (Mayor and City Council) - amounts cannot be used for any other purpose unless the same group (Mayor and City Council) takes the same highest-level formal action (ordinance) to remove or change the constraint. Action to constrain resources must occur prior to the year end. For example: Sedalia fund balance Committed by Council action for a Lease/Purchase Acquisition or a Purchase Order for future service or purchase. Example: A fire truck.

e. Assigned fund balance - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body (Mayor and City Council) or by an official (City Manager or Finance Director) who has been delegated authority by the Mayor and City Council to assign amounts, or body to which the governing body delegates the authority, but are neither restricted nor committed. Example: Sedalia fund balance Assigned for Purchase Orders for amounts that do not require Council approval.

f. Unassigned fund balance -- Amounts that are available for any purpose; these amounts are reported only in the General Fund.

3. The fund balance of the City's General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The fund balance may be used for working capital (payment of short-term debts), budgetary stabilization, and for responding to extreme events. The target is to maintain an unassigned fund balance of not less than 25 percent and generally not more than 50 percent of annual operating revenues for the fiscal year.

4. The City's goal is to maintain annual expenditure increases at a growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain an unassigned fund balance of not less than 25 percent of revenue stems from the following:

   a. This amount provides adequate funding to cover approximately two (2) months of operating expenses.

   b. This amount provides the liquidity necessary to accommodate the City's uneven cash flow, which is inherent in its periodic tax collection schedule.

   c. The Policy refers to Unassigned Fund Balance to assure a consistent basis year to year.

   d. This amount provides the liquidity to respond to contingent liabilities.

   e. The Government Finance Officers Association recommends the minimum General Fund unrestricted, or unassigned if preferred, fund balance to be maintained should be no less than either two (2) months of regular operating revenues or expenditures.

5. This policy may be amended as deemed necessary by the City Council.

6. The City will spend the most restricted dollars as allowable within such restriction before least restricted in the following order:

   a. Nonspendable (if funds becomes spendable)

   b. Restricted

   c. Committed

   d. Assigned

   e. Unassigned

V. Enterprise Fund Policy

1. Enterprise funds will be used to account for the acquisition, operation, and maintenance of City facilities and services which are intended to be entirely or predominately self-supporting from user charges or for which periodic net income measurement is desirable.

2. Enterprise funds are required to establish rates that generate sufficient revenue to cover the cost of operations including debt expense, required or prudent reserves, and capital needs.

VI. Capital Improvement Policy

1. The City will prepare, for the Council's annual adoption, a five year Capital Improvement Plan which will detail each capital project, the estimated cost, and funding source.
2. The City will determine and use the most effective and efficient method for financing all new capital projects in accordance with its debt management policies.

VII. Debt Policy

1. Indebtedness beyond City's annual appropriations is limited by Sections 95.115 and 95.120 of the Missouri Revised Statutes to 10% of the assessed value of taxable tangible property and subject to voter approval. The City may, subject to voter approval, incur additional debt for certain infrastructural improvements as described in Section 95.125 of the Missouri Revised Statutes up to another10% of the assessed value of taxable tangible property.
2. Subject to the provisions of the law, the City may issue with Council specific approval, general obligation bonds, revenue bonds, special obligation bonds, notes and leases. Council's specific approval by Ordinance is required for all debt issued in the name of the City including those initiated by separate boards, commissions, or legislative bodies.
3. The City shall not issue debt to finance current operating expenditures or normal maintenance.
4. All debt issued, including the use of a lease-purchase method, will be repaid within a period not to exceed the expected useful lives of the improvements financed by the debt.
5. Financing of capitalized interest shall only be used when incurred in the connection of construction of revenue producing assets in an enterprise fund.
6. Annually, in conjunction with the Capital Improvement Plan, a five-year budget will be developed analyzing all anticipated capital expenditures along with existing and anticipated debt service requirements by year and identify associated funding sources. The City shall not incur any additional debt unless and until all five years of such analysis demonstrate the maintenance of the following ratios in addition to the legal limits.
    a. For enterprise type funds an overall debt service ratio of no less than 1.35 in the fund for which the debt would be incurred with a similar outlook beyond the five year horizon to the maturity shall be maintained. For the purposes of this calculation, unobligated reserves in the particular fund may be considered.
    b. For governmental type funds, the debt schedule shall demonstrate maintenance of all three of the following ratios:
        i. Total net governmental funds debt shall be no more than 120% of total governmental funds revenues;
        ii. Total net governmental funds debt service shall be no more than 8% of total governmental funds expenditures;
        iii. Total net governmental debt amortized over the next 10 years shall be no less than 65% of the total net governmental debt.

7. At least annually in conjunction with the preparation of the budget, capital improvement plan, and debt service requirement schedules, management shall review all outstanding debt in order to determine if any refunding opportunities should be considered. Potential refunding opportunities that would represent a present value savings of 3% or more shall be presented to Council with a recommendation as to the appropriateness and timing considerations of such opportunity from the City Administrator with the assistance of the Finance Director and outside financial and legal advisors.
8. Policies relating to pledging, conduit, or other financing arrangements in connection with economic development activity shall be covered in specific economic development policies.
9. The City's policy shall be to manage its budget and financial affairs in such a way so as to ensure high bond ratings. Towards this end, the City may employ the services of a Municipal Advisor registered with the Securities and Exchange Commission to advise management and Council on such matters.
10. City policy shall be to ensure that all post issuance disclosure and other requirements such as arbitrage liability calculations are adhered to. The use of professional advisors, with specific expertise and experience in these areas, to assist management with these duties is encouraged.
11. Any debt proceeds on hand shall be invested in accordance with the City's investment policies and the debt instrument until such funds are required.

VIII. Cash Management and Investment Policy

1. Scope
    1. This policy applies to all cash management activities of the City unless specifically stated otherwise.
    2. Policies and procedures for the handling of funds held by or for the benefit of the Police and Fire Pension Funds, shall be governed by the respective pension boards.
    3. Debt service funds, reserve funds and other financial assets held by identified fiscal agents and trustees as provided by the appropriate bond ordinances and documents shall be subject primarily to the requirements of the respective Ordinances and documents, but subject to this policy as and if permitted by the applicable bond documents.
2. Delegation of Authority
    a. The authority and responsibility to conduct cash management and investment on behalf of the City is delegated by the Mayor and Council, through the City Administrator, to the Finance Director / Treasurer. The Finance Director is designated as cash management and investment officer of the City. The Finance Director is therefore responsible for investment decisions and activities consistent with this Policy.
    b. In order to assure accountability of such delegation, the Finance Director shall periodically report to the Mayor and Council on the status and results of all cash and investments held by the City. Such reports shall be no less often than quarterly and upon request from the Mayor, any Council Member, or the City Administrator.
3. Objectives

a. Funds of the City shall be handled and invested in accordance with the applicable statutes of the State of Missouri, including but not limited to Sec. 95.280 thru 95.350 and 110.010 thru 110.060 RSMo and applicable City Ordinances.

b. Cash management and investment shall be undertaken in a manner that seeks to ensure the preservation of the capital in the portfolio. To attain this objective, diversification as described herein is required to minimize the potential losses caused by loss of value of individual securities.

c. The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's legal investment risk constraints and the cash flow characteristics and requirements of the portfolio.

4. Prudence

a. The standard of prudence to be used by anyone in authority making or approving decisions (investment officers) shall be the "prudent person" concept which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

b. The "Prudent Person" concept shall be applied in the context of sound management of the entire portfolio.

c. Investment officers acting in accordance with this written policy and exercising due diligence, which includes reasonable written documentation of decisions, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided meaningful deviations from income expectations and/or projections are reported in a timely fashion and appropriate action is taken to protect City funds from foreseeable decline of income or loss of capital.

5. Conflicts of Interest

a. Officers and employees involved in the investment process shall refrain from any business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

b. Investment officials shall disclose to the City Administrator any material financial interest in financial institutions that conduct business with the City, and they shall further disclose any large personal financial / investment positions that could be related to the performance of the City's portfolio. The City Administrator shall report any disclosures to the City Clerk to be filed.

c. Investment Officials and all employees involved in the cash management or investment process shall be familiar with and comply with the letter and intent of Missouri conflict of interest statutes and applicable ordinances, and shall further endeavor to prevent any appearance of conflict.

6. Internal Controls

a. The Finance Director is directed to establish and maintain a system of internal controls.

b. The internal controls shall be designed to prevent losses of City funds by fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

c. The internal controls shall be submitted for annual examination by the independent auditor.

d. All investments and general strategies employed shall be reviewed by the City Administrator and Finance Director periodically as circumstances warrant, and at least annually.

7. Instruments

a. The Finance Director as Treasurer is delegated the authority to purchase the following securities as investment instruments for the City's Portfolios:

1) United States Treasury obligations such as but not limited to Treasury Bills, Treasury Notes and Treasury Bonds;

2) United States Agency obligations such as but not limited to Government National Mortgage Assoc. (GNMA), Small Business Administration, (SBA), and Tennessee Valley Authority (TVA);

3) United States Instrumentality obligations such as but not limited to Federal Home Loan Banks (FHLB), Federal National Mortgage Assoc. (FNMA), Federal Farm Credit System, Student Loan Marketing Assoc., Federal Land Banks, Federal Home Loan Mortgage Assoc.;

4) Repurchase Agreements;

5) Collateralized Certificates of Deposits;

6) FDIC Insured Certificate of Deposit; and

7) Collateralized Deposits in Savings and Loan Associations and Commercial Banks

8. Diversification

a. Assets in the City's investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issue, a specific issuer or a specific class of securities.

b. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1) Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector.

2) Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine and non-routine expenditures (payroll, bond payments, etc.) as well as sizeable blocks of anticipated revenue (property tax receipts, sales tax payments, franchise fee payments etc.) Maturities in this category shall normally not exceed twelve months.

9. Risks

a. Portfolio diversification is employed as a way to control default risk.

1) Investment officials are expected to display prudence in the selection of securities as a way to minimize default risk.

2) In the event of default by a specific issuer, the Finance Director shall review the portfolio and if appropriate, proceed to liquidate securities having comparable credit risks.

b. No individual investment transaction shall be considered, structured, or executed that jeopardizes the total capital position of the Portfolio.

c. To control risks of illiquidity, a minimum of 10 percent of the total portfolio shall be held in highly marketable U.S. Treasury Bills, overnight repurchase agreements, commercial bank demand deposits, or certificates of deposit.

10. Safekeeping and Custody

a. Investment officials shall be bonded to protect the public against possible embezzlement and malfeasance.

b. Book-entry securities and collateralized securities shall be purchased using the delivery vs. payment procedure.

c. Third party custodial safekeeping practices are encouraged for the protection of investments.

d. A written analysis of amounts on deposit at each financial institution and the corresponding FDIC/FSLIC and collateral protection shall be prepared not less than quarterly.

e. Safekeeping procedures shall be submitted to the independent auditor for annual review.

11. Competitive Selection of Investments Instruments

a. Before the City invests any surplus funds, a competitive "bid" or "quote" process shall be conducted by telephone or through on-line web tools.

b. Decisions on investments shall be made in the best interest of the City and shall not afford special financial advantage to any individual or corporate entity.

c. Selection of a financial institution shall include consideration for the institution's financial strength which includes.

i. capital adequacy,

ii. asset quality,

iii. earnings, and

iv. liquidity.

Evaluation of a financial institution's financial strength may include use of an independent rating organization. Any financial institution selected must be insured by the F.D.I.C. and be incorporated under the laws of the State of Missouri or of the United States. Any institution which, in the judgment of the cash management and investment officer of the City, does not have reasonably good financial strength shall not be selected for City investments.

d. The City will accept the bid which provides the highest rate of return within the maturity required and within the parameters of these policies, provided however that preference will be given to local financial institutions when their bid is within ten basis points of the high bid and they also meet the other requirements of this policy. Records will be kept of the bids offered, the bids accepted and a brief written explanation of the decision which was made regarding the investment, including a written explanation if the high bidder is not accepted.

e. Upon request by the City Administrator, the Finance Director shall furnish a list of all the investments then owned by the City, which list shall include all pertinent data on each instrument.

IX. Revenue Policy

1. A diversified revenue base shall be maintained to prevent revenue shortfalls for essential services due to reliance on a single revenue source.
2. All existing and potential revenue sources will be reviewed annually to ensure revenue trends are kept current and changes identified quickly to enable proactive planning.
3. One-time revenues will be used only for one-time expenditures. The City will avoid using temporary revenues to fund ongoing services.
4. Monthly reports comparing actual to budgeted revenues will be prepared by the Finance Department and presented to the City Administrator, Mayor, and the City Council.
5. User fees and rates will be examined annually to ensure that they are at levels that recover an appropriate level of direct and indirect costs of delivering the underlying service or product.
6. The City will follow a policy of collecting, on a timely basis, all fees, charges, taxes, and other revenues properly due the City. The City will follow an aggressive policy of collecting all delinquencies due the City.

X. Operating Expenditure Policy

1. Current operating expenditures / expenses shall not exceed current operating revenues. The City shall adopt an annual General Fund budget in which expenditures, net of one-time expenditures, does not exceed projected recurring revenues. This shall be referred to by the City as a "Balance Budget".
2. No commitment shall be made to expend any funds that have not first been duly appropriated by Council through the budgeting process.
3. All expenditures shall be made only in the furtherance of the purposes of the City. No expenditures shall be made that the public purpose of such expenditures are not clearly identified. For public services provided indirectly through other entities, the public purpose shall be stated in and expenditures limited to such purpose through contracts.
4. Monthly reports comparing actual to budgeted expenditures / expenses will be prepared by the Finance Department and presented to the appropriate Department Heads, City Administrator, Mayor, and the City Council in an appropriate level of detail.

XI. Fixed Asset Policy

1. Fixed assets shall be capitalized if they have an estimated life of more than one year following the date of acquisition and have a purchase cost of $5,000 or more. Items which cost less than $5,000 and / or have a life of one year or less will be expensed upon acquisition.
2. Purchase cost of fixed asset includes freight, installation charges, carrying cases, adaptors and other items which are connected to the fixed asset and necessary for its operation or use.
3. Fixed assets' capitalization threshold should be applied to individual fixed assets rather than groups of fixed assets.

4. Departments will notify the Finance Department, and City Clerk of any, acquisition, change in location, disposal, or loss of a fixed asset.
5. Departments should exercise control over their capitalized and non-capitalized fixed assets by establishing and maintaining adequate control procedures at the departmental level.
6. An appropriate level and type of insurance shall be maintained on fixed assets to assure financial stability and the City's ability to continue vital services in the event of catastrophic losses. In all cases insurance shall be in sufficient amount to cover any outstanding debt on any assets that were acquired with the proceeds of such debt and comply with any insurance related covenants in the debt instruments.
7. The Finance Office shall maintain an inventory and systems of internal controls for capitalized fixed assets.
8. Fixed asset disposals shall be conducted in accordance with the Surplus Property Disposal Policy

XII. Purchasing Policy

1. Goals

   This policy has been designed to ensure that the guidelines set by the City Council with regard to the expenditure of public funds are met by all City Departments. The intent of these policies is to ensure the City will receive the maximum value for each public dollar spent.

2. Basic Goals

   The basic goals of the City's purchasing policy are:

   a. To comply with the legal requirements of public purchasing of goods, equipment and services and/or leasing of equipment.
   b. To assure vendors that impartial and equal treatment will be afforded to all who wish to do business with the City.
   c. To receive maximum value for each public dollar spent.
   d. To provide City departments with required goods and services at the time and place needed in the proper quantity and quality.
   e. To purchase and lease only goods, equipment and services for which funds have been approved.

3. General Guidelines

   These general guidelines should be considered administrative rules and regulations, and are to be adhered to by all departments in the procurement of goods and services, whether by purchasing or leasing. The City Administrator shall be responsible for overseeing the application and adherence to this policy and will issue clarifications as needed. It should be noted that some grants and in some cases Missouri Statutes place additional requirements on the procurement process. Each department head is responsible for ensuring that proper procurement procedures are adhered to for all purchases through their department.

   a. Local Buying

      It is the desire of the City to purchase or lease from local vendors whenever possible. This can be accomplished by ensuring that local vendors are included in the

competitive bid process. If no local vendors are available, then the City's preference is to purchase or lease from Missouri vendors and then from United States vendors.

b. Planning

Planning for purchases shall be done on both a short term and a long-term basis. Planning will cut down on the number of trips required to obtain materials and minimize the amount of clerical and supervisory time spent on documenting purchases. The purchasing process begins with the preparation of the annual budget. These policies augment rather than replace the budgeting process, in that funds must first be duly appropriated in the adopted budget prior to implementing the purchasing process.

c. Sales Tax

The City is exempt from paying sales tax.

d. Personal Purchases

Employees are strictly prohibited from using their position or the city's name to purchase items for their own personal use.

4. Purchasing Guidelines

This policy establishes guidelines regulating the degree of formality to be followed in the purchase or lease of goods and services, depending on the costs of the items to be purchased. The splitting of purchases or lease payments into smaller orders/payments to avoid these requirements is strictly prohibited. The term "purchase" includes leasing and lease purchase arrangements for purposes of this policy. Good documentation and using extra caution to ensure that all vendors are treated fairly is in the City's best interest.

a. Small Purchase Procedures - $1,000 or less

Department Heads are authorized to issue a purchase order directly to vendors for any purchase in the amount of $1,000 or less. Price comparisons should be made on a routine basis to ensure the best value is obtained in each purchase. Department Heads shall designate employees who will be allowed to make purchases and to provide internal control procedures to ensure that all purchases are for legitimate public purposes, and that all purchases are accounted for. The designated employees need not secure the approval of the Department Head in order to make purchases in this price range. Department Heads may place added restrictions on employee's authority to purchase items.

b. Informal Purchase Procedures - $1,001 to $10,000

Department Heads, or their designee, must obtain three (3) or more quotations for the goods or services required. In common commodity purchases (off the shelf items), documentation of price checks such as webpage printouts or copies of current catalog pages showing current pricing may be used to document the purchase decision. The Department Head will approve the purchase order awarding the purchase to the lowest / best vendor. Under no circumstances shall the purchase of goods or services be divided into multiples in order to avoid the maximum limit of $10,000.

Whenever a Department Head determines that they must purchase goods or services from a "sole source vendor", the Department Head shall document why only one company or individual is capable of providing the goods or services required. The documentation shall be attached to the purchase order. The City Administrator must approve all sole source purchases over $1,001.00 to $9,999.99.

c. Formal Bids - Purchases from $10,000 and above

Department Heads anticipating the purchase of goods or services exceeding $10,000 in value shall prepare specifications based upon standards appropriate to meet the City's needs and following the Formal Bid Process.

1) However, whenever a Department Head determines that they must purchase goods or services from a "sole source vendor", the Department Head shall document why only one company or individual is capable of providing the goods or services required. The documentation shall be attached to the purchase order. The City Administrator and City Council must approve all sole source purchases over $10,000.00.

2) The award will normally be made to the lowest and best bidder meeting specifications. However, there may be instances when accepting the low bid is not in the best interest of the City. When such a situation arises, it is incumbent upon the Department Head to thoroughly document the reasons why the low bidder should be disqualified or not selected. The City reserves the right to select a vendor based upon past service and experience with the vendor.

3) Formal Bid Process

a) Upon the City Administrator's approval, the Department will prepare and make available to qualified vendors a request for proposal (RFP).

b) The Department will prepare a RFP Notice for submittal to the City Clerk and such RFP notice will be published in a local newspaper.

c) All RFP's shall explicitly indicate that the City reserves the right to accept or reject any and all bids when it is determined in the best interest of the City to do so.

d) All bids shall be sealed and filed with the City Clerk at or prior to the time on the date stated in the notice. City Clerk shall not disclose any information about any bids received prior to the closing date and time for receipt of such bids.

e) All bids shall be opened at the specified time and date stated in the RFP and shall be publicly read by the City Clerk or his / her designee. Any bids arriving after the designated bid opening date and time will be time- stamped and the bid will remain unopened. Late arriving bids will not be tabulated or considered.

f) The Department from which the RFP was issued shall have a representative attend the bid opening to witness and record the bids as they are opened and read.

g) The City Clerk shall prepare a written tabulation of all bids. The Department Head shall submit a written recommendation to the City Administrator for the award of the bid. The City Administrator shall make a recommendation to Council for any acceptance of bids from this process.

1) No Responsive Bids

In the event no responsive bids are received through the formal bidding process, the department head may take either of the following actions after documenting the lack of responsive bids with a memo to the City Administrator and upon their approval:

1. Initiate a new formal bidding process with the same or revised specifications;

2. Negotiate directly with any of the vendors submitting a proposal or bid to bring their proposal into compliance;
3. Utilize the informal purchasing procedures to locate an acceptable proposal or quote; or Cancel the purchase.
4. If any of these actions results in locating an acceptable bid or proposal, the department head shall then make a recommendation to the City Administrator and City Council, who shall make the final decision.

4) Emergency Purchases

The bid procedures outlined in this policy may be waived under emergency conditions when the Department operations would be severely hampered.

a) When the need for an emergency purchase occurs, the Department Head will notify the City Administrator who will give verbal approval of the transaction and furnish advice as to the best source of the item(s) or services sought. The Department will submit a written explanation to the City Administrator explaining the reasons for the emergency purchase with copies for the department and the Finance Director. The department will prepare the purchase order as soon as operations permit. EMERGENCY will be boldly written across the purchase order.

b) The City Administrator is authorized to order emergency purchases up to a limit of $20,000. Any emergency purchases exceeding that amount will require the verbal consent of the Mayor.

5) Cooperative Procurement Programs

Department Heads are encouraged to use cooperative purchasing programs sponsored by the State of Missouri. Cooperative purchasing can prove advantageous to the City by taking advantage of the large quantity purchases made by State Government. Purchases made through these programs have met the requirements of competitive bidding and require the approval of the Department Head and City Administrator. Department Heads are encouraged to check with the State regarding cooperative procurement contracts in effect prior to making any large purchase.

a) A current listing of all commodities and products available on the State Cooperative Purchasing Program is available on line at www.oa.mo.gov/purch/

b) Departments are also authorized to purchase items from the State Surplus Property Unit in Jefferson Cit. Buy Board National Purchasing Cooperative and any other similar programs that meet the spirt and intent of these procedures in their process.

6) Professional Services

Normal competitive procedures cannot be utilized in securing professional services such as attorneys, engineers, certified public accountants, planners and other professional people who, in keeping with the standards of their discipline, will not enter into a competitive bidding process.

a) A Request for Qualifications (RFQ) can be prepared much the same way as specifications including requirements and minimum standards for the services to be provided. RFQ'S shall be submitted to the City Administrator for review and approval prior to distribution. When an RFQ for professional services is approved, a limited number of qualified professionals known to the City will be

invited to submit a proposal setting forth their interest, qualifications and how they can meet the City's needs. In securing professional services, it is the primary goal of the City to obtain the services of a professional who has a proven record of providing, in a professional way, those services required. A contract will be negotiated with the professional deemed to best meet the City's needs.

5. This policy and procedure was adopted by the City Council and will remain in effect until amended or cancelled by action of the City Council.
6. A copy of this policy shall be retained on file by the City Clerk's Office and a copy was provided to each City Department.

XIII. Surplus Property Disposal Policy

1. Disposal of Real Estate shall require specific Council approval. Upon determination that it would be appropriate to divest any holdings of real estate, the City Administrator shall make a recommendation to Council. Such recommendation may be made in a closed session if approved by the City Attorney. Council shall direct and authorize the City Administrator in the process to solicit offers, and bring back to Council for their consideration the appropriate documents to effect the sale.
2. A department head having charge of any personal property that is surplus or obsolete, may request that the property be disposed of according to the following provisions in this section.
3. The designee appointed by the City Administrator is hereby authorized to sell the personal property in any form in the most advantageous manner. The designee may set a minimum sale price and may reject any formal or informal bid that in their judgment is not a fair sale price. Personal property may be disposed of in the following manner:
    a. Sale by auction, or
    b. Sale by sealed bid, or
    c. Solicitation of offers to purchase the asset. Such solicitations shall be upon the condition that no offer less than the expected sale price carried on the item as approved by the City Administrator; or
    d. Sales based upon a negotiated agreement with a particular vendor, provided that such vendor must be selected according to an established written procedure which provides a mechanism for all interested parties to make proposals in a fair and even manner. Direct negotiations as provided in this subsection may only be used if it is deemed to be in the best interest of the City and facts set forth as to why other means are less desirable; or
    e. Sales by a third party selected according to the City's standard procedures for selecting providers of services; or
    f. Transferred, with or without compensation, to any government entity, or other organization designated as a 501(C)(3) by the Internal Revenue Service. If such transfer is without compensation in an amount near the fair market value of the personal property, the public purpose or benefit from the transfer shall be clearly identified; or
    g. If the personal property has been reasonably designated in a nonusable state by the designee appointed by the City Administrator, it may be disposed of, consistent with the public interest, in any manner as deemed appropriate by the designee.

In any event if any property is transferred under these polices to an employee, extra care shall be used to ensure that an open bidding process was used and that the process to arrive at the disposal decision is clearly documented including the factors that indicate the best interest of the City is being served by the disposal method.

4. Any compensation resulting from the disposal of surplus property belonging to the City shall be transferred to the fund that held the property prior to its disposal.
5. The designee appointed by the City Administrator is authorized to act as the agent for the city in the collection, disposal, and execution of agreements for the disposal of surplus personal property as authorized by the City or the City Administrator.
6. The designee shall forward a written report on a periodic basis to the City Administrator showing the disposition of all personal property that has been sold or transferred along with a description of said property.