



City of Ontario

Financial Policies and Procedures Manual

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Table of Contents

Introduction 5

Financial Management Goals 6

Section 1 - Financial Management Policies..... 7

 1.1 Resource Planning and Allocation..... 8

 1.2 Accounting and Financial Practices..... 9

 1.3 Revenue and Collection..... 11

 1.4 Organizational..... 13

 1.5 Authorized Signatures 14

 1.6 Investments 15

 1.7 Debt 19

 1.8 Purchasing 22

 1.9 Employee Development 30

 1.10 Travel and Expense 34

 1.11 Telephone and Cellular Phone..... 40

 1.12 Moving Expenses 41

 1.13 City Issued Credit Cards..... 42

 1.14 Credit Collections 46

Section 2 – Financial Management and Internal Controls..... 47

Introduction 48

 2.1 Fund Accounting Theory 49

 2.2 Fund Types: 50

 2.3 Chart of Accounts 51

 2.4 Basis of Accounting/Budget Reporting 53

 2.5 General Ledger 54

 2.6 Appropriation and Appropriation Control..... 55

 2.7 Appropriation (General Ledger) Reports..... 57

 2.8 Financial Monitoring System 58

 2.9 Grant Management System..... 59

 2.10 Internal Control Violations 63

Section 3 - Budgeting 64

 3.1 Introduction 65

 3.2 Budget Process Timeline 66

 3.3 Department Responsibility 67

 3.4 Budget Review Process 68

 3.5 Taxing Authority 70

 4.1 Introduction 72

 4.2 Accounts Payable 73

 4.3 Purchasing/Procurement 75

 4.4 Purchase Orders 76

 4.5 Fixed Assets..... 78

 4.6 Accounts Receivable 79

Financial Policies

4.7	Cashier/Cash Receipts	80
4.8	Payroll.....	82
4.9	Treasury Management	83
4.10	Front Desk	85
4.11	Surplus Property Disposal	86
Section 5 - Forms.....		89
(Not Included for Adoption – Form Edits can be made without Council Approval)		
(Payroll)		
1.	Employee Leave Request	
2.	Personnel Action Form (PAF) for Salary and/or Position Change	
3.	Overtime Request Form	
4.	Automated Payroll Direct Deposit Form	
5.	Flexible Benefits Election Form	
6.	Medical Reimbursement Form	
7.	Dependent Care Reimbursement Form	
8.	(Accounts Payable)	
9.	Purchase Order Request Form/ Bid Checklist	
10.	Telephone Quotations Form	
11.	NO P.O. Form	
12.	Budget Adjustment Request Form	
13.	Credit Card Usage Authorization Form	
14.	Check Pick-up Form	
15.	(Travel/Tuition Reimbursements)	
16.	Pre-Approval for Tuition Reimbursement	
17.	Request for Tuition Reimbursement	
18.	Travel Request Form	
19.	Expense Reimbursement Request / Verification Form	
20.	(Fixed Assets)	
21.	Fixed Asset Purchase Input Form	
22.	Fixed Asset Transfer Form	
23.	Fixed Asset Disposal Form	

Introduction

The Financial Policies and Procedures Manual includes policies and procedures related to the ongoing financial management of the City's resources and information required to prepare the budget.

The preparation of the budget begins the financial management cycle, progresses to an adopted budget, and continues through accounting, monitoring and evaluating stages.

The manual is updated by the City Council, as needed, to reflect changes or additions to financial policies once discussed at the Executive Team level.

This manual is distributed to the Mayor, Council, City Manager, and Department Heads. Anyone who has responsibility for management of the budget and/or the financial affairs of the department or division should have a manual made available to them by their Department Head.

This Manual is intended to be an overview of various financial policies and procedures and is not meant to be a detailed authority source. If the material in the manual does not answer a question, please contact the Finance Department.

Financial Management Goals

The following goals and policies for the City are intended to guide the City in its financial matters. The goals consist of five significant goal statements (I through V), which provide the basic guiding parameters for financial management of the City. The policies of the City provide more specific direction on how to achieve the goals and are the basis for consistent actions that move the community and organization toward sound financial management decisions. Detailed policy descriptions and narratives are included in Section 1.

- Goal I:** To establish and sustain a community supported service system.
- Goal II:** To have a capital improvement program that adequately maintains and enhances the public's assets over their useful life.
- Goal III:** To provide cost effective services to citizens.
- Goal IV:** To provide financial and other service information to enable citizens to assess the costs and results of City services.
- Goal V:** To follow prudent and professional financial management practices to assure residents of Ontario and the financial community that our City government is well managed and in sound fiscal condition.



Section 1 - Financial Management Policies

1.1 Resource Planning and Allocation

1.1.1. **Purpose:** The purpose of this policy is to establish procedures for resource planning and allocation in accordance with long-range plans of the Council. This policy is applicable to all resource allocation and planning for the City.

1.1.2. The City budget will support the goals and policies of the City Council, Council adopted long-range plans, and service needs of the community.

The Mayor and Council have the legal authority and responsibility for the adoption of City goals and policies and an annual budget. The City organization is committed to carrying out Council goals and policies through service delivery.

Funding for services should take into consideration whether demand exists for maintaining the service or whether funding is better used elsewhere.

1.1.3. The City will maintain financial systems, which will develop budgets, provide control, and report revenue and expenditures at the line-item detail.

1.1.3.1. Efficient use of public resources requires that budget estimates be developed from a detailed level. This ensures that changes in the cost of individual line items are reflected and are neither over nor under estimated. Upon adoption, the line-item budgets become the basis against which expenditure trends are measured. Spending control at this level provides the ability to measure actual expenditures against expectations and allows program managers to identify positive and negative trends as the budget year progresses. The evaluation of these trends will then allow for more precise estimates of future budget needs.

1.1.4. Revenues, operating, debt service and capital expenditures, will be projected each year for at least the succeeding four years.

1.1.4.1. Future revenues and costs will be projected annually on an aggregate basis for four years beyond the current budget year. Based on assumed circumstances, including various economic, service, and inflationary factors, the forecast will attempt to portray whether community plans can be supported over the designated period. One of the essential attributes of these projections is the capability to project whether a new program or project can be supported over the long-term.

1.2 Accounting and Financial Practices

The purpose of this policy is to establish guidelines for which the City's financial reporting will be presented. This policy is applicable to all financial reporting and record keeping for the City.

1.2.1. The City will maintain an accounting and financial reporting system that conforms to Generally Accepted Accounting Principles and applicable Oregon Statutes, and will contract with an independent auditor each fiscal year for a financial statement audit.

1.2.1.1. The City utilizes an accounting system that conforms to Generally Accepted Accounting Principles, standards of the Governmental Accounting Standards Board, and Oregon Revised Statutes (ORS). Various Federal, State, and local statutes also govern financial practices and reporting. These standards and laws are intended to assure that city funds are appropriately budgeted, recorded, and reported.

1.2.2. The City will manage its funds as independent financial entities in accordance with legal, administrative, or Generally Accepted Accounting Principles and will ensure that one fund does not subsidize another fund.

1.2.2.1. The City's financial structure is composed of various funds; that is, self-balancing sets of accounts. Each fund is established as a result of statutory or administrative requirement. From a private sector perspective, each fund can be considered a wholly-owned subsidiary of the City. Accordingly, each fund can be considered a separate independent business, which must support all of the direct and indirect costs of operating services or capital maintenance and enhancement. Co-mingling of funds is generally prohibited by statute, administrative policy, or Generally Accepted Accounting Principles.

1.2.3. The General Fund will maintain an unappropriated ending fund balance within the General Fund to ensure sustainability. The target ending fund balance will be 3 months of General Fund operating expenses.

1.2.4. The General Fund will maintain a contingency account within the Administrative Overhead Department to meet unanticipated requirements during the budget year.

1.2.4.1. The budget is prepared prior to actual implementation. With the complexity of the organization and the dynamic environment in which the City provides services, it is not always possible to anticipate every expenditure

Financial Policies

requirement during the budget year. Therefore, contingency funds are established to meet emergency requirements necessary to maintain services and to meet unexpected requirements identified by Staff and approved by the Council.

1.2.4.2. With the exception of grants or earmarked donations, the City will not normally earmark revenue for specific public purposes in general service funds such as the General Fund.

1.2.4.3. Earmarking or dedication of revenues can be a major deterrent to making best use of available resources. It may force the City to spend money in an area of lesser need, or no need, or to lose that source of revenue.

1.3 Revenue and Collection

1.3.1 Purpose: The purpose of this policy is to establish procedures for resource planning and allocation in accordance with long-range plans of the Council. This policy is applicable to all resource allocation and planning for the City.

1.3.2 Cost Recovery Policy - The City Council will review Staff proposals to establish cost recovery policies for fee supported services which consider the relative public/private benefits received from the services being provided and/or the desirability of providing access to services for specialized populations. These policies will determine the percentage of full service costs to be recovered through fees. The level of cost recovery will be routinely adjusted to ensure that rates are current, equitable, and competitive and cover that percentage of the total cost deemed appropriate.

1.3.2.1. Many services provided by the City directly benefit individuals and not the community as a whole. These services include building permits, recreational services, and many others. When services of this nature are subsidized by the general taxpayer, scarce resource dollars are not available for other City services. In these user-choice services, the customer has the opportunity to determine whether the service is used, with part of that decision being made through the normal pricing system.

1.3.2.2. In such cases, the City is committed to recovering the full cost of providing the service, including both direct and indirect costs, through a user fee or service charge.

1.3.2.3. It is important for the City to:

1.3.2.3.1. Develop broad policies concerning funding of services

1.3.2.3.2. Review all services to determine if a fee should be charged

1.3.2.3.3. Set fees that are comparable to other jurisdictions and/or that recover the partial or full costs of providing that service

1.3.2.3.4. Consider user's ability-to-pay and other social/community benefits of the service

1.3.2.3.5. Periodically evaluate fee amounts.

Financial Policies

1.3.2.4. In some cases, full cost recovery is not permitted because of statutory restrictions, and in other cases it may not be desirable for social/community benefit reasons. The Council shall determine when social/community benefits should be considered in the establishment of fees.

1.3.2.5. A comprehensive fee schedule will be presented annually for Council approval. Recommendations of changes in fees will be presented and the fee schedule will be approved by resolution with the opportunity for the public to comment.

1.4 Organizational

1.4.1 Purpose: The purpose of this policy is to ensure proper organizational structure to carry out the policies of the Council. This policy is applicable to the City Manager. The City manager will review the organizational structure at frequent intervals to assure that it is responsive to current conditions and minimizes service duplication in the organization and with other local government jurisdictions.

1.4.1.1. As the community and organization grow, the City must continually examine its structure to ensure maximum efficiency and respond to changes in its operating environment. Areas of duplication should be eliminated and the delivery of service should be rationalized with other jurisdictions to ensure the most efficient and effective use of public resources.

1.4.1.2. Changes to full-time equivalent (FTE) positions shall be approved by the City Council. Job description updates will be approved by the City Manager. A reclassification of a position shall be approved either through the budget or City Council approval outside of the budget.

1.5 Authorized Signatures

- 1.5.1. Purpose:** The purpose of this policy is to outline the authorized positions to act on the City's behalf for the signature of checks and electronic funds transfers. This policy is applicable to the signing of all checks and electronic funds transfers for the City of Ontario.
- 1.5.2.** The Mayor, City Manager and the Audit Committee shall sign all checks issued by the City. Each check under \$5,000 will have one manual signature. Checks over \$5,000 will have two manual signatures.
- 1.5.3.** Electronic funds transfers into and out of the City's accounts may be initiated by authorized Staff in the Finance Department for payment of payroll and debt service liabilities and to process automatic debit payments to the City for utility billing accounts. In all instances, the electronic funds transfer must be initiated by an authorized Finance Department staff member and reviewed and approved by the Finance Director and/or city manager to maintain a high level of internal control.

1.6 Investments

1.6.1. Purpose: The purpose of this policy is to establish investment guidelines. This policy is applicable to all available cash for the City of Ontario.

1.6.2 Investment Objectives

1.6.2.1. When making investments, the City will follow State laws and local investment guidelines, and shall abide by the following criteria in priority order:

- 1.6.2.1.1. Preservation of capital
- 1.6.2.1.2. Maintenance of a liquid position
- 1.6.2.1.3. Maximum yield

1.6.2.2. As a municipality, the City cannot make investments for the purpose of trading or speculation, such as anticipating an appreciation of capital value through changes in market interest rates.

1.6.2.3. The primary objective of the City of Ontario's investment activities is the preservation of capital.

1.6.2.4. In investing public funds, the City will not assume unreasonable investment risk to obtain current investment income.

1.6.2.5. The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating capital and debt service requirements, which might be reasonably anticipated. This need for investment liquidity will be tempered to the extent that the City is able to issue Tax Anticipation Notes, Bond Anticipation Notes, or other short-term notes under bank credit lines to meet its cash flow requirements.

1.6.2.6. The City will diversify its investments to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

1.6.2.7. In managing its investment portfolio, the City is specifically limited to those investments consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices and authorized by ORS 294.035 and 294.810. Investment of any tax-exempt borrowing proceeds and of any debt service funds will comply with the "arbitrage" restrictions of Section 148 of the Internal Revenue Code of 1986.

1.6.2.8. The 90-day Treasury Bill is considered the performance yardstick.

1.6.3. Investment Maturities

1.6.3.1. To the extent possible, the City will attempt to match its investments to anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities with maturities greater than eighteen months. With the approval of the Council, the City may invest in securities maturing in not more than three years if the investment is related to a specific cash flow or a particular capital project.

1.6.3.2. With the approval of the Council, debt may be defeased with longer-term investments in direct obligations of the United States government or those obligations, which are fully guaranteed by the United States.

1.6.3.3. Banks may collateralize the City's repurchase agreements using investments with longer maturities. Not more than 25% of the City's total investment portfolio should be placed in securities maturing in more than eighteen months.

1.6.3.4. The City recognizes that unnecessary liquidity may adversely affect the return earned on its investment portfolio. At the same time, the City will maintain access to the short-term market as a liquidity buffer in order to meet unanticipated cash requirements. However, if the rate spread between short-term borrowing and portfolio yield is significant, sale of securities to meet liquidity needs is preferable.

1.6.4. Investment Diversification

The City will diversify its investments across security types and institutions. With the exception of U.S. Treasury, Agency, and instrumentality issues, investments will be restricted as to type and institution.

1.6.5. Investment Limitations

1.6.5.1. Specific investment types shall not exceed the percentages of the total investment portfolio indicated below. These specific types shall be the only allowable investments for the City.

1.6.5.2. The primary determination of maturity will be to retain liquidity to meet projected and unexpected cash needs of the City. Any decisions to purchase investments with maturities that exceed 180 days will be the city manager's determination.

	Maximum % of Total Portfolio	Maximum Length Of Maturity
U.S. Government Agencies	25%	2 years
Local Government Investment Pool	100%	No Limit
Time Certificates of Deposit	10%	18 months
Repurchase Agreements (overnight)	25%	30 days

1.6.5.3. Additional investment account types may be added to the City's portfolio as approved by the City Council.

Portfolio Balance

Maturing in under 90 days	25% minimum
Maturing in 91-180 days	50% minimum
Maturing in 181 days to 18 months	75% minimum
Maturing in under 3 years	100% minimum, except for defeased debt

1.6.6. Time Certificates of Deposit

The City will not invest in time certificates of deposit in a single institution in an amount in excess of 10% of the total deposits of the institution. The City Finance Director is responsible to ensure that the deposits are adequately collateralized.

1.6.7. Authorized Dealer and Financial Institutions

1.6.7.1 The City Finance Director will maintain a list of financial institutions and primary securities dealers designated by the Federal Reserve Bank of New York as authorized to provide investment services. Selected regional dealers with offices in Oregon will be considered on an individual basis after careful review of financial statements. The City will limit all security purchases to this list.

1.6.7.2 Deletions from this list may be made for a consistent lack of competitiveness in bids or for perceived financial distress. Additions to the list may be made at the discretion of Finance Director.

1.6.8. Competitive Selection

The Finance Director, or authorized agent, shall obtain quotes before purchasing an investment. If an amount The Finance Director shall select the quote, which

provides the highest rate of return within the maturity required and within the parameters of this policy.

1.6.9. Accounting Method

Investments will be carried at cost unless otherwise required by debt instruments or GASB Standards to be held at Fair Market Value (FMV). Gains or losses will be credited or charged to investment income at the time of sale. Premiums or discounts may be amortized over the life of the security. Write-downs may be necessary if the portfolio contains significant market losses at year-end. For financial statement reporting Generally Accepted Accounting Principles will be followed.

1.6.10. Cash Management

The Finance Director will maximize the City's investment income by monitoring cash balances. Excess cash will be invested according to the City's investment guidelines.

1.6.11. Reporting Requirements

The Finance Director will maintain and provide the City Manager with reports on security holdings and investment performance, which may be reviewed upon request.

1.6.12. Authority and Control

The Finance Director will act only upon such authority as provided for within this policy, state statute and by authorization of the City Manager. Any investment activities outside such authority must have prior written approval of the City Manager.

1.6.13. Indemnity Clause

The City shall indemnify staff from liability for losses that may occur in the administration of this investment policy so long as the activities of Staff comply with the City's policy and State law.

1.7 Debt

1.7.1 Purpose The purpose of this policy is to establish debt issuance guidelines. This policy is applicable to all debt issuance for the City of Ontario.

1.7.2 Bond Rating

1.7.2.1. The City will seek to maintain, and if possible, improve its current bond rating so its borrowing costs are minimized and its access to credit is preserved.

1.7.2.2. Sound financial practices, debt management and capacity, and competent management support the maintenance of the City's current bond rating. In its relations with rating agencies and the investment community, the City will follow a policy of full disclosure, as required by legal and professional practices.

1.7.3 Debt Issuance Guidelines

1.7.3.1. The City will have a specific set of debt issuance guidelines consistent with Federal, State, and local laws and policies.

1.7.3.2. The debt guidelines will recognize how much debt the community can support, not only based on debt of the City, but debt of overlapping jurisdictions as well. Debt should not be used for the provision of routine operation unless it is only for cash flow purposes or the borrowing costs are less than the rate of invested funds. Debt should never be issued for a period longer than the estimated useful life of an improvement or asset.

1.7.4 Credit Worthiness

1.7.4.1. The City will seek to maintain, and as possible, improve its current credit rating so its borrowing costs are minimized and its access to credit is preserved and enhanced.

1.7.4.2. The City will maintain good communications about its financial condition with bond and credit rating institutions.

1.7.4.3. The City will follow a policy of full disclosure for all disclosure documents, which meets or exceeds the disclosure guidelines as developed by the Government Finance Officers Association.

1.7.5. Borrowing Purposes

1.7.5.1. The City will not fund current operations from the proceeds of borrowed funds, except for short-term cash flow borrowing such as Tax Anticipation Notes.

1.7.5.2. The City will confine long-term borrowing to capital improvements, projects, or equipment, which cannot be funded from current revenues.

1.7.6. Debt Repayment

1.7.6.1. When the City uses long-term debt financing, it will repay the debt within a period not to exceed the useful life of the improvements or equipment.

1.7.6.2. Whenever possible, debt shall be self-supporting, and will be revenue debt, or revenue-backed with a general obligation pledge.

1.7.6.3. The general obligation pledge will be used only for projects, which have a general benefit to City residents, which cannot be self-supporting.

1.7.6.4. Neighborhood Improvement Bonds may be issued for extra-territorial assessments. Such bonds shall be secured by the assessment payments and be reserves funded from other payments made by the benefited parties. The term of the bonds shall match the projected cash flow from assessment payments and foreclosure sales.

1.7.6.5. Advance refunding will be undertaken only when the net present value savings exceeds 4% or when the restructuring of debt is in the City's financial interest.

1.7.6.6. Lease purchase debt, including certificates of participation, will be considered as an alternative to long-term vendor leases when cost effective. Such debt will be subject to annual appropriation and administered by the Finance Department.

1.7.6.7 Long-term lease purchases for buildings and facilities will be used when the cost of a lease purchase is lower than other options or if deemed appropriate because of time constraints, etc.

1.7.7. Key Debt Ratios

1.7.7.1. There are several key debt ratios that investors and financial analysts use when reviewing a City's credit worthiness. The City of Ontario has

established a set of guidelines which are to be used when reviewing the key debt ratios. These numbers are indicators of financial stability. Below is a listing of the City's key debt ratios:

Type of Ratio	Guideline
Net Direct Bonded Debt as percentage of Assessed Value	20%
Net Direct Bonded Debt Per Capita	\$750
Net Direct Bonded Debt Per Capita as Percentage of Per Capita Income	3.0%
General Obligation Debt Service as a Percentage of General Fund Revenues	10.0%
Percentage of Total Debt that will be retired at the end of Ten Years Expenditures	50.0%

1.7.7. Conduit Financing

1.7.7.1. Recognizing that the City is able to issue debt for broad purposes, it may be appropriate to issue on behalf of another party when the City Council, after a complete review process, determines that the proposed project will provide a general benefit to City residents.

1.7.7.2. The City will consider issuing conduit financing which will not impair the City's credit rating. Any financing issued through the City shall qualify for an investment grade rating by one or both of the two top rating agencies.

1.7.7.3. All expenses related to conduit financing will be borne by the applicants. The City shall establish review procedures for projects, including public contracting and financial fees.

1.7.8. Other Financing

Entities associated with the City may issue debt subject to the same criteria listed above. Debt issued by City agencies shall be approved by the City Council.

1.8 Purchasing

1.8.1. Purpose The purpose of this policy is to establish purchasing guidelines. This policy is applicable to all purchasing for the City of Ontario.

1.8.2. Introduction

1.8.2.1. The City's Purchasing Section was established to ensure that needed goods and services are obtained in a timely manner, at the lowest prices possible, consistent with acceptable quality standards, and within the requirements of public purchasing laws.

1.8.2.2. Consistent with these objectives, a part of the City's procurement activity is decentralized. In recognition of the cost of staff time and to reduce the cost of making small purchases, purchasing cards are issued to selected personnel as approved by the Department Head and City Manager. The purchasing card will be defined later in this manual.

1.8.2.3. Procedures which apply to purchases made directly by City staff as well as the steps followed by the Finance Department are described below, along with the public purchasing law and ethical standards that shape the City's purchasing activities.

1.8.2.4. Governing Laws and Regulations – Procurements by the City of Ontario are governed by federal laws, Uniform Guidance standards and state and local laws and regulations. The City of Ontario establishes further requirements for the City's purchasing activities in separate sections of this policy. The City policy, adopted by resolution , along with the state statute and the City's administrative policies and procedures describe basic procurement processes: e.g., public bidding, bid opening, bid evaluation and bid award.

1.8.2.5. Principles and Ethics – All employees of the City of Ontario subscribe to the following principles and ethics:

1.8.2.5.1. We believe in the dignity and worth of the service rendered by government and our own social responsibility as trusted public servants. We consider, first, the interest of the City in all transactions and carry out and believe in the City's established policies and ordinances and the laws of the State of Oregon.

1.8.2.5.2. We keep the City informed, through appropriate channels, on problems and progress of the agency we serve, but

Financial Policies

keep ourselves in the background, by emphasizing the importance of the facts.

1.8.2.5.3. We are governed by the highest ideals of honor and integrity in all public and personal relationships in order that we may merit the respect and inspire the confidence of the City and the public, which we serve.

1.8.2.5.4. We strive to stimulate competitive bidding in order to obtain goods and services at the lowest possible cost, and to provide all interested vendors with the opportunity to offer their products to the City.

1.8.2.5.5. We strive to accord a prompt and courteous reception, so far as conditions will permit, to all who call on a legitimate business mission.

1.8.2.5.6. We believe that personal gain or benefit obtained through misuse of public or personal relationships is dishonest.

1.8.3. Conflict of Interest - No employee or official of the City shall participate in a transaction, contract, activity, or service of the City in which they personally have a direct or predictable effect on their financial interests or the interests of an immediate family member.

1.8.4. Personal Purchases – It is prohibited for an employee or official to make purchases for their own personal purposes or to receive special pricing from a vendor using the City's name, account, or reputation.

1.8.5. Unauthorized Purchases - No individual has the authority to enter purchase agreements or contracts on behalf of the City unless specifically authorized to do so. Individuals with authority are the City Manager up to \$75,000, the Executive Team up to \$5,000, personnel with purchasing cards up to the limit of the P.O. or amount authorized by the Department Head, and the Finance Director for debt service payments and as necessary to continue daily operations of the City but still complying with all ordinances and State laws and regulations. The Council must authorize contracts for values over \$75,000. Any such purchase classified as unauthorized is considered a personal expense and the obligation of the purchaser.

1.8.6. General Rules – All purchases or contracts for services of any kind or description, payment for which is to be made from funds of the City of Ontario, shall be, without exception, in the following manner.

1.8.7. Micro-purchase: (This guideline is only applicable for purchases using federal funding subject to the Uniform Guidance) Purchases where the aggregate dollar amount does not exceed \$3,500 (or \$2,000 if the procurement is construction and subject to Davis-Bacon). When practical, the City should distribute micro-purchases equitably among qualified suppliers. Micro-purchases do not require competitive quotes if management determines that the price is reasonable.

1.8.7.1. \$3,500 to \$10,000 purchases using federal funding subject to the Uniform Guidance will follow the same competitive bidding rules enumerated in number 3 below.

1.8.8. Under \$10,000: Small items in this category, used on a day-to-day basis, may be purchased with the approval of supervisory personnel without competitive bidding on each item. However, even on these items, periodic telephone checks should be made to be certain the purchases are secured from a local source at the lowest cost for the quality needed. Items used on a day-to-day basis consist of office supplies and other items that are routinely purchased. For items under \$10,000 that are not routinely purchased, it is required to obtain three informal bids to ensure that the best price is received.

1.8.8.1. When seeking telephone quotations, it is preferable that the Telephone Quotations Form be utilized and completed in detail (Please reference Section 5). If the recommended bid is not the lowest, a detailed explanation should be provided.

1.8.8.2. Department Heads may authorize employees to purchase budgeted items by requesting a purchasing card for that employee and assigning a dollar limit.

1.8.8.3. Whenever possible, these items should be purchased within the City Limits of Ontario. If this is not possible, purchases should be secured within Malheur County.

1.8.9. \$10,000 - \$100,000.00: Purchases or contracts for services for the sum of \$10,000 to \$100,000.00 shall be secured on competitive bid basis. This must be accomplished by securing at least three written informal bids or through the formal bid process utilizing advertisement and specifications; whichever is most advantageous to the City.

1.8.9.1. When seeking written informal bids, all bids must be tabulated in detail and forwarded to the Department Head and Finance Director. If the recommended bid is not the lowest, a

detailed explanation must accompany the bid's submission to the Department Head and the Finance Director.

1.8.9.2. Bid awards under \$75,000 will be made by the Department Head if it is a budgeted item. If not a budgeted item, bid award shall be made by the City Council at a regularly scheduled Council meeting along with the expenditure authorization by resolution.

1.8.9.3. Bid awards over \$75,000 will be made by the City Council at a regularly scheduled Council meeting.

1.8.9.4. Whenever possible, these items should be purchased within the City Limits of Ontario provided the goods or services comply with bid specifications and are determined to be in the best interest of the City. Preference may be given to local vendors when quality of product is equal or better and the difference in the delivered price is negligible.

1.8.10. \$100,000 – and higher: Any item(s) for services in this category shall be purchased through the formal bid process. Formal bids shall be secured by advertisement. Additionally, a random sample of vendors who qualify, or who have indicated an interest in bidding, shall be forwarded a copy of the specifications, when possible, to insure the best competitive bids for the City.

1.8.10.1. The responsibility for the advertising of formal bids will be that of the Department Head overseeing the purchase. It is required that an advertisement for formal bid is placed in the paper 10 days prior to the bid opening.

1.8.10.2. Award of items in this category will be made by the City Council based on Department Head recommendations if it is an appropriated item. If it is not an appropriated item, bid award shall be made by the City Council at a regularly scheduled Council meeting along with the expenditure authorization by resolution. Award shall typically go to lowest and best bidder unless otherwise specified by State Statute.

1.9.2. Invitations for Bid

1.9.2.1. Bidders List – The Finance Director or responsible Department Head will maintain a list of vendors who wish to bid on goods or services for the city of Ontario. All vendors wishing to provide goods or services to the City may

contact the Finance Director or responsible Department Head with appropriate information for inclusion in future bid processes.

1.9.2.1.1. When the City prepares an invitation to bid, all respective bidders on the list shall be notified in writing and given sufficient time to provide a bid to the City if the vendor intends to do so.

1.9.2.2. Formal Bid Process – All Formal bid purchases or contracts for services shall be advertised and bid procedures shall be as follows:

1.9.2.2.1. All notices and solicitation of bids shall state the time and place of opening. It is required that the request for bid in the newspaper at least 10 days prior to the bid opening. Bid opening dates will follow State statute.

1.9.2.2.2. Notices and solicitations of bids shall include information that these are sealed bids and that they should be so identified (as bids) on the envelope.

1.9.2.2.3. Notices and solicitation of bids shall plainly state to whom the sealed bid(s) should be addressed.

1.9.2.2.4. Performance bond(s), in cash or otherwise, shall be requested if in the best interest of the City in such an amount as may be deemed sufficient to secure the execution of the contract or furnish supplies.

1.9.2.2.5. The City of Ontario, Oregon reserves the right to reject any and all bids and waive any informality. The City of Ontario also reserves the right to select the lowest and/or best bidder as determined by the City in its sole discretion.

1.9.2.3. Correspondence With Vendors – All correspondence with vendors should be communicated through the Department Head responsible for overseeing the specific bid unless the bid specifications make it advisable to delegate the authority to others.

1.9.2.4. Competitive Buying – City policy requires quotes or bids to be obtained from as many providers as possible to insure a competitive marketing atmosphere and advantageous pricing. Bids will be solicited when required by policy and also when it is found to be advantageous to do so. Any qualified provider may respond to a City request for quote or bid.

1.9.2.5. Periodically, the Finance Department will check items purchased by other authorized personnel to verify that the City is obtaining the best prices for the quality of goods purchased. Recommendations will be made as necessary to benefit the City.

1.9.2.6. Maintenance Agreements – If the need for a maintenance agreement is anticipated at the time of purchase, the terms of the agreement must be included in the bid specifications.

1.9.3. Emergency Purchases

1.9.3.1. In Case of an emergency which requires immediate purchase of supplies or services and time is of the essence, the City Manager shall have the authority to authorize such purchase up to \$50,000 or secure such services needed without complying with procedures as set out above. Examples of emergencies requiring emergency purchase include sewer line collapse, water system pump failures, and weather-related damage requiring immediate repair. (Please refer to the No. P.O. Form in Section 5 of this manual.)

1.9.3.2. For purchases over \$50,000, a poll of the City Council should be made prior to the purchase. If a poll of the Council is not possible, a full report of such an emergency purchase shall be made by the City Manager to the City Council no later than the next City Council meeting.

1.9.3.3. An emergency purchase is constituted as an immediate need of a good or service, which was unable to be anticipated, which time is a crucial factor and would be a disservice to the citizens of the community of Ontario if the item were not purchased.

1.9.4. Steps in Purchasing/Procurement

1.9.4.1. The Finance Department has the responsibility to oversee all purchasing activities for all departments at the City. Any employee that has a purchasing card approved by their department head is authorized to purchase goods up to their limit (i.e., \$500). Any purchases over their limit must be made by the Department Head.

1.9.4.2. Price Agreements and Other Centralized Purchasing – Price Agreements are contracts negotiated by the City for goods or services, which we need frequently throughout the year (e.g., fax machines, computers, uniforms, sand and gravel, etc.). It is to the City's advantage for departments to use these agreements to save money and time by not having to go through a bid process

for each purchase. The City does require that departments purchase certain types of goods and services in a more centralized fashion: data processing equipment and services, telecommunications equipment and services, vehicle purchases, printing goods and services, office supplies. These purchases are coordinated with the assistance of Finance. The following steps are involved in the bid process:

1.9.4.2.1. Department head prepares the bid package, sets the bid opening date, prepares the advertisement for call for bids, the bid invitation letter, specifications and list of prospective bidders.

1.9.4.2.2. Department Head holds public bid opening according to State requirements.

1.9.4.2.3. The requesting department prepares a tabulation of bids received, analyzes bids, and returns bid documents with recommendations for bid award to Department Head and Finance Director.

1.9.4.2.4. Finance Director reviews analysis and recommendation and upon approval the Department Head prepares final recommendation for submission to City Council when required by the City's Bid policy.

1.9.4.2.5. City Council ensures that staff has followed the purchasing policies and awards the bid.

1.9.4.2.6. Requesting department obtains purchase order prior to issuing a Notice to Proceed or otherwise obligating the City financially and administers the contract and notifies accounts payable when payment is to be made through standard invoice procedures.

1.9.4.3. Contractor Performance Problems – It is very important that Departments document any performance problems with a particular vendor. Documentation should include written notification to the vendor of a problem, evidence of attempts to resolve the problem and a summary of the final outcome of the situation.

1.9.4.3.1. Please notify the Purchasing Agent when a vendor continues to have performance problems and forward a report documenting the incident. The City Manager can determine if a vendor is classed as irresponsible and can be taken off of our

bidding list for a period of 3 years or until the vendor can prove the problems have been corrected.

1.9.5. Good Financial Standing

1.9.5.1. All business providing services to the City of Ontario should be in good financial standing with regard to any financial obligations within the City.

1.9.5.2. All businesses providing services to the City of Ontario should comply with city ordinances, resolutions and contracts.

1.9.6. Exclusive Service

1.9.5.3. In the event that there is only one firm or company or individual capable of providing a particular service or commodity, referred to as a sole source vendor, and such services or commodities cannot be secured from any other person(s) or company(ies), then the City Council may authorize securing such items without the above bidding process(es) by declaring a sole source vendor. Approval of the City Council must be received **prior** to making the purchase. To receive such authorization, the Department Head must submit with the purchase order, a detailed agenda report explaining why this is the only feasible person/company from which to purchase/contract; and confirmed research must be included in the explanation.

1.9.7. Exemptions from the Public Bidding Process

1.9.7.1 Professional Services – This Purchasing Policy shall not apply to professional services and the requirements shall not be mandatory in the employment of professional services. Professional services include, but are not limited to, the following:

- (A) Attorneys
- (B) Architects
- (C) Artists
- (D) Bond Counsel
- (E) Certified Public Accountants/Auditors
- (F) Consultants
- (G) Engineers
- (H) Financial Advisors
- (I) Physicians
- (J) Real Estate Brokers

1.9.7.2. Design-build Services – This Purchasing Policy shall not apply to design-build specialty services so long as the City Council approves such an exemption through formal action.

1.9 Employee Development

1.9.1. Purpose: The Purpose of this policy is to establish the guidelines for which the City will reimburse employees for training, career education, and approved courses of study (Tuition Assistance). Travel and expense reimbursement procedures are outlined within the Tuition Assistance Policy. This policy is applicable to all City personnel.

1.9.2. Definitions: As addressed by this policy, training is defined as any work-related program, seminar, conference, convention, course or workshop attended by an employee whose tuition and expenses are funded in whole or in part by the City or while the employee is in a paid status with the City.

1.9.3. Statement of Policy – Employees are encouraged to continue their formal education through participation in off-duty/non-work hour educational programs. Reimbursement for educational expenses incurred by such participation may be granted for job related courses with prior approval of the City Manager, provided funds have been budgeted for such reimbursement. Tuition reimbursement will be made only for courses that benefit the employee and the City or go towards a degree that benefits the employee and the City.

1.9.3.1. Any reimbursement shall only be after successful completion of the course/program. Successful completion shall be defined as receipt of a certificate of satisfactory completion, a grade of C (2.0 grade point) or better for undergraduate courses, a grade of B (3.0 grade point) or better for graduate and post-graduate courses, or attainment of pass in a pass/fail grading system. Tuition reimbursement is for the course only; no reimbursement will be allowed for books, lab fees, travel expenses, or material costs. Approval for tuition reimbursement shall only be allowed for courses offered by accredited colleges, universities or vocational training institutes.

1.9.3.2. Reimbursement to an employee for approved course will be limited to \$2,000 per calendar year. Request for reimbursement must be made within 30 days following the completion of the course of study. To receive tuition reimbursement, an employee must complete the "Pre-approval for Tuition Reimbursement" and a "Request for Tuition Reimbursement" forms with required supporting documents. See Section 5.

1.9.3.3. Training reimbursement is generally available to only those employees who have successfully completed the employee's designated probation period. The City Leadership Team shall review pre-approval requests for tuition reimbursement and either approve or disapprove the request.

1.9.3.4. Consideration of employee requests for tuition reimbursement is dependent upon budgetary constraints and the recommendation of that employee's Department Head. Time spent in attendance at these courses shall be considered the employee's personal time and is not counted as time worked.

1.9.3.5. It is the policy of the City to maximize comprehension, retention and transference of training provided by the City.

1.9.3.6. No person will be denied training because of race, religion or creed, color, political affiliation, physical or mental disability, national origin, sex, veteran status, genetic information, citizenship, marital status, sexual orientation, domestic violence victim status, parent with court-imposed medical support order, or age.

1.9.4 Tuition Assistance Plan

1.9.4.1. The plan shall serve as both an employee incentive and employee retention plan. The course or degree program must be approved prior to enrollment by the Department Head and the City Manager. The employee must be full-time and not on probation other than transfer or promotion. The subject matter of the course of study must be related to the employee's current job or the course must be applicable as credit toward an approved certificate or degree requirement in a related field.

1.9.4.2. Prior to budget preparation, the employee is responsible for notifying his/her Department head of his/her intent to participate in this program.

1.9.4.3. Employee training history will be maintained as part of the personnel files.

1.9.5. Reimbursement

1.9.5.1. Upon completion of the approved course, receipt of tuition payment, and grade verification, the City will reimburse as follows until funds are exhausted.

1.9.5.2. Reimbursement for courses (limited to 2 annually) taken at an accredited college, university, or vocational training institute shall be as follows.

Grade	Undergraduate	Graduate/Post-Graduate
A	80% of tuition only	80% of tuition only
B	70% of tuition only	60% of tuition only

Financial Policies

C	60% of tuition only	0% of tuition only
D or lower	0% of tuition only	0% of tuition only

1.9.5.3. Pre-Approval for Tuition Reimbursement Forms must be submitted and approved by the Department Head, Leadership Team, and City Manager prior to the beginning of the course. Upon completion the employee shall submit the Request for Tuition Reimbursement Form. It is upon completion and proof of grade submission for a course that reimbursement shall occur.

1.9.5.4. Conferences/Seminars will be arranged and approved by following the process and procedures as outlined on the **Travel Voucher Form**. The Travel Voucher Form must be completed and approved by the Department Head, or City Manager prior to attending. Upon return and within 7 working days a reconciliation of the **Travel Voucher Form must** be completed and submitted for approval and processing.

1.9.5.5. As a general rule, attendance at conferences/seminars out of state shall be limited to one annually. The following exceptions may apply upon the approval of the City Manager.

1.9.5.5.1. Travel will be by automobile rather than air (cost of airline ticket or mileage is reimbursed, whichever is less)

1.9.5.5.2. Attendance is required as part of a job-related certification program

1.9.5.5.3. A specific benefit would be derived by attending such as:

1.9.5.5.3.1. Legislative updates

1.9.5.5.3.2. New technology

1.9.5.5.3.3. Improve a job-related skill

1.9.5.6. Department Heads should identify conference/seminar costs during the budget preparation and stay within the budgeted amounts. Conferences which are job required are reimbursed at 100%.

1.9.6. Tuition Appropriation – The City Council will establish the amount of funding to be allocated for tuition reimbursement on a citywide basis. The City Manager will allocate those funds between the various departments. The funds may not be appropriated/transferred into other accounts. Mid-year budget review will

monitor the use or intended use of remaining funds and the City Manager may authorize transfers into other departments, when appropriate.

1.10 Travel and Expense

1.10.1. Purpose: The purpose of this policy is to establish the guidelines for officials and employees of the City of Ontario while traveling on "Official Business." This policy is applicable to all City officers and personnel.

1.10.2. The primary responsibility for the authentication of the travel and all expenses incurred on individual expense accounts rests with Department Heads and the City Manager.

1.10.2.1. Definitions

1.10.2.1.1. For the purpose of this policy, the following shall apply:

1.10.2.1.2. Approved City credit cards shall be those cards issued and approved through the City Manager as valid for the purpose of billing the City.

1.10.2.1.3. Travel authorization and reimbursement forms are those approved by the City Manager, and Finance Department.

1.10.2.1.4. Residence shall be the place in which the individual has an abode or dwelling place.

1.10.3. Reimbursable Travel Expenses

1.10.3.1. Reimbursable travel expenses are limited to those expenses authorized and essential to the transaction of official business of the City. Expenses incurred for the sole benefit of the City employee or official, such as any type of insurance, travel loan finance charges, personal credit card fees or dues, alcoholic beverages, extra meals, that portion of meal totals in excess of the per diem allowance, tips in excess of the 20% City established maximum, magazines and other like charges are prohibited from being paid for using a City credit card and shall not be reimbursed as travel expenses.

1.10.3.2. Expenses for laundry service and dry cleaning shall not be considered a business expense. Incidental accounts not directly concerned with travel (such as postage, small emergency supplies, etc.) may be allowed when necessary to the performance of official business while traveling. These necessary incidental expenses shall be itemized on the Travel Voucher with receipts attached.

1.10.3.3. Reimbursements for items other than per diem paid for meals and incidentals will not be made without a valid receipt.

1.10.4. Reimbursement When Leaving and Returning the Same Day

1.10.4.1. Officials and employees will be allowed travel expenses when required to travel away from their official domicile on City business and returning the same day under the following situation. When early departure or late arrival of approved travel was required to conduct City business, then the City will reimburse for meals and mileage for official use of a private motor vehicle. The description of the travel must be indicated on the purchase order along with applicable supporting documentation. Reimbursements will be calculated using established per diem rates. A city vehicle must be used if available. If an employee chooses not to use a city car when one is available, they will be allowed the mileage rate for medical or moving purposes.

1.10.5. Items Invoiced to the City – Items which are properly purchased and invoiced directly to the City of Ontario will not be included on an expense account and are not reimbursable under this policy.

1.10.6. Prudent Person Rule – Employees and officials are expected to exercise the same care in incurring expenses, as a prudent person would exercise if traveling on personal business.

1.10.7. Alcoholic Beverages – City Officials and employees shall not incur expenses for the purchase of alcoholic beverages for reimbursement as a travel expense or payment directly by the City through use of a City credit card or any other means of purchasing.

1.10.8. Meals

1.10.8.1. If a credit card is unavailable, reimbursement for meals will be on a per diem basis according to the Federal Per Diem Rates at www.gsa.gov. If meals are included in the conference fee they are excluded from reimbursement. Any expenses in excess of the daily amount established by the Federal Per Diem Rate based upon the location of travel must be approved by the Department Head and the City Manager. In cases where the employee exceeds the per diem amount with a City credit card, the employee will be issued a warning and notified of the amount of reimbursement required and they will be required to issue a check for the amount payable to Visa.

1.10.8.2. Meals that are part of an approved seminar, training session, or organization meeting held in the area will be reimbursed for the actual amount

with receipts required. The reimbursement of meals will be at actual cost when receipts accompany the Expense Reimbursement Requests/Verification Form.

1.10.9. Airfare, Bus, Rail Transportation, Private or City-Owned Vehicles & Rentals

1.10.9.1. Travel may be accomplished by plane, train, bus, private or City-owned vehicles, rented car, or taxi, whichever method serves the requirements of the City most economically and advantageously. When an airport is within seventy (70) miles of the employee's official domicile or residence, and transportation to and from the airport is provided by a family member or friend, the employee may be reimbursed for automobile mileage for up to two (2) round trips. The routing of each trip for mileage computation shall be by the most common traveled route unless unusual circumstances warrant other less direct routes. Reimbursements for mileage shall be calculated from the shorter of either the distance from the employees home or City Hall. Individuals on City business shall use competitive pricing for airfare, bus or rail transportation, and rentals.

1.10.9.2. Air travel should be paid directly by the City and not charged on a personal credit card. This practice should be followed to avoid financial gain by the employee through use of their position relative to frequent flier miles or other incentives offered by an employee's personal credit card.

1.10.10. Automobile Rental – Rental cars can only be used when taxis, buses or limousine services are impractical or for emergency transportation. The reason for using rental cars should accompany expense forms. Receipt is required. The City can make reservations and some discounts are available.

1.10.11. Privately-Owned Automobile Mileage Reimbursement

1.10.11.1. For travel in privately owned automobiles, mileage allowance shall be at a rate equal to the IRS standard expense allowance for mileage reimbursement when a city vehicle is not available for use. If an employee chooses not to use a city car when one is available, they will be allowed the mileage rate for medical or moving purposes.

1.10.11.2. Mileage figures listed on the Travel Voucher should be rounded to the nearest whole mile. Other expenses such as toll charges for bridge and turnpike use and parking charges will be allowed. When more than one (1) person travels in the same automobile, only the owner of the vehicle shall be allowed mileage. Mileage reports must include information for when, where and what type City business was discussed.

1.10.11.3. Under no circumstances will an employee be allowed to purchase gasoline using the City's tax-exempt fuel account and place it in a private vehicle. This activity is considered a misuse of public funds.

1.10.12. Travel in City-Owned Automobiles

1.10.12.1. Expenses for gasoline, oil, storage, washing, greasing and other necessary services will be allowable as long as proper receipts are attached to the expense form and City purchasing cards are used. In the event an employee is required to incur an expense for authorized travel in a City-owned vehicle, the City shall reimburse that employee for 100% of the costs shown on the receipts submitted for reimbursement upon authorization by the respective Department Head.

1.10.12.2. No official or employee shall be allowed hotel expenses while in the City of his/her official domicile.

1.10.13. Travel Voucher Form – The Travel Voucher Form is used for travel pre-approval and in situations where an official or employee travels for city business. If a reimbursement of expenses is requested, the official or employee will submit the Travel Voucher and attach copies of all receipts for the period of travel within seven (7) days. If expenses are paid using a city credit card, a travel voucher form along with the receipts should be included with the credit card statement.

1.10.14. Travel Advancement – The City will pay in advance the following costs: Please note: A travel packet including the Travel Voucher form, the meeting/conference program/itinerary, and a purchase order for the advanced costs listed below must be submitted to the Accounts Payable Department no later than 14 days prior to the event.

1.10.14.1. Conference/Training Registration fees – Such payment will be made by city credit card or mailed directly to the organization, to take advantage of early registration discounts. This will be done through a purchase order attached to the Travel Voucher Form. A copy of the registration form describing the specific event must be attached to the purchase order.

1.10.14.2. Airfare – Airfare is normally reserved on-line through the internet and paid with a City credit card after travel approval has been received.

1.10.14.3. Lodging – Officials and employees are to stay in moderately priced (see item 5) establishments. Lodging reservations can be held with the use of a

City Credit Card. (See City Credit Card Policy). Upon receipt of an approved travel voucher form and supporting documents, a pre-authorization for a city credit card will be completed ahead of time. This pre-authorization form would allow use of a city credit card and the city official or employee would need to adhere to the City Credit Card Policy (See section 1.13). The lodging receipt is required to be kept and will be turned in with the travel voucher.

1.10.14.4. Meal allowance - An advance for the M&IE Allowance, which includes both meals and incidental expenses, will be permitted for meals not provided by the conference or training as indicated in section 1.10.3. above. A conference agenda shall be submitted with the advance travel reimbursement request showing what meals are provided and what meals are not. Only per diem rates as prescribed by the Federal Government for official travel will be provided for M&IE Allowance. Per diem rates by location are found at www.gsa.gov.

1.10.15. Reimbursement for Non-Employee Expenses

1.10.15.1. City employees and officials may be reimbursed for travel expenses incurred for other employees or non-employees provided the specific business reason necessary for doing so is indicated along with the names of those involved. This is intended to be used for those common types of travel situations where it is normal and practical for one (1) individual to pay for an expense rather than be divided among all individuals. Examples may be a restaurant bill or hotel charge for which a room was shared.

1.10.15.2. Reimbursement for spouse expenses at an official business function requires a written justification pre-approved by the City Manager. This reimbursement is limited to elected officials and department directors or those designated to represent them and must be for legitimate business reason where attendance of the spouse is required to represent the City. City employees and officials may be reimbursed for expenses incurred by their spouses or other members of their families only as provided for concerning transportation to and from the airport and representing the City at an official business function. The employee shall pay the difference of any costs between the amount for the employee's attendance and the amount for family to attend (e.g. such as an upgrade to a larger room or suite to accommodate more guests). The City shall reimburse or pay for the cost of a single occupancy room rate.

1.10.16. Telephone – Telephone, cellular service expenses shall be allowed only when necessary for the transaction of official business. Copies of billing statements must be attached to the Expense Reimbursement Request/Verification Form.

1.10.17. Association Officer Expenses – Occasionally, members of associations are invited to serve in an official capacity in the association. This type of undertaking requires the expenditure of time and money, but often the membership will reflect favorably on the City. The City encourages this practice by reimbursing them for reasonable expenses incurred for travel, lodging, and meals as set forth herein. At the same time, the City employee has the opportunity to gain peer recognition and, thus to enhance his or her development.

1.10.18. Out of State Travel – All out of state travel, with the exception of Idaho, must be approved by the City Manager. All other rules apply.

1.10.19. Unusual Travel Expense

1.10.19.1. The City Manager may approve unusual travel expenses not covered by this policy or modify procedures for the payment of travel expenses. The need for reimbursement of unusual travel expenses shall be made in writing to the City Manager with a copy to the Accounts Payable Clerk.

1.10.19.2. The City will not reimburse for items purchased as souvenirs (i.e. pens, pencils, shirts, ball caps, and mugs).

1.11 Telephone and Cellular Phone

1.11.1. Purpose: The purpose of this policy is to establish usage guidelines for telephone calls made within City Hall, from cellular phones provided to employees to conduct City business, and 800 number calls billed to the City. This policy is applicable to all City of Ontario employees, the Mayor and City Council.

1.11.2. Call Placement

1.11.2.1. City employees and officials should limit long-distance calls to those associated with performance of duties associated with their position.

1.11.2.2. Personal telephone calls should be minimal and should not interrupt business with customers. In the event an employee has an emergency need to utilize a City cell phone to make personal calls that result in additional charges to the City, their immediate supervisor must be notified and the City shall be reimbursed for all personal telephone tolls incurred.

1.11.3. Cellular Phone Usage

1.11.3.1. Cellular phone billings are set up with a basic monthly fee. The equipment is provided to the employee for job-related duties and should be primarily limited to job-related telephone calls. A de minimus use of a city cell phone to contact family when travelling out of town is allowed.

1.11.3.2. Vendor cell phone bills will list each individual call .

1.11.3.3. In any situation in which abuse is found, disciplinary action may be taken as prescribed in the Employee Manual and cellular phone privileges may be revoked by the Department Head or City Manager.

1.12 Moving Expenses

1.12.1. Purpose: The purpose of this policy is to establish the guidelines for payment of moving expenses. This policy is applicable to all City Executive Staff.

1.12.2. Situation - The City of Ontario hires individuals for Management vacancies based upon qualifications, not geographic location. It is possible the new employee will be required to relocate to the area in order to perform his/her duties. This move will directly benefit the City and, as such, the City should incur the cost. The City may reimburse a new management employee, with the approval of the City Manager, up to \$2,500 of valid moving costs on a reimbursement basis. The City Council at its discretion may choose to reimburse higher moving expenses.

1.12.3. Early Separation following Moving Expense Reimbursement – If an employee chooses to separate service from the City prior to one year of service, the employee will reimburse the City 75% of said payment for moving expenses reimbursed, which amount may be deducted from the employee's final pay check.

1.13 City Issued Credit Cards

1.13.1. Purpose: The purpose of the credit card is principally to facilitate the acquisition of goods and services for the City where the vendor requires such use. Credit card purchases are intended to be small in scope, of a “non-capital” nature and are intended to complement existing purchasing processes. The card is not to circumvent the internal control procedures or to replace the Purchase Order (PO) process. The card is only used when a purchase order cannot be used or when there is a savings to the City. A purchase order must be generated for the credit card purchase along with the proper approvals. *CARDHOLDERS MUST COMPLY WITH ALL CITY PURCHASING POLICIES AND PROCEDURES.* All purchasing of budgeted capital items must have the proper approval of the appropriate Department Director or City Manager.

1.13.2. Cardholder Limits

1.13.2.1. Only City employees may be Cardholders in accordance with this policy.

1.13.2.2. A maximum dollar amount for each single purchase and a total for all purchases made with the credit card within a given monthly billing cycle has been provided to each Cardholder. The employee is responsible for the overage if the limit is exceeded.

1.13.3. Use of Credit Card

1.13.3.1 The credit card is to be used for authorized City purchases only.

1.13.3.2. No person other than the Cardholder is authorized to use the card unless prior written authorization is obtained from the Department Head.

1.13.3.3. Questions regarding credit card accounts and procedures should be directed to the Finance Director.

1.13.3.4. The credit card may be used at any business establishment, which accepts credit cards for payment.

1.13.3.5. Cardholder should exhaust all other methods of procurement before using the credit card (i.e., purchase orders or invoicing).

1.13.3.6. The Cardholder must be able to justify that the use of the credit card was necessary and was for an official city business purpose.

1.13.3.7. Cardholder shall take all necessary precautions to keep the card and card number in secure location.

1.13.3.8. Cardholder's department is responsible for all charges incurred on the credit card including any annual service fees and finance charges.

1.13.3.9. Copies of all necessary forms are enclosed within this section of the Financial Operations Guide.

1.13.4. Telephone, Internet, and Facsimile Orders

1.13.4.1. When placing a telephone/Internet/facsimile order, confirm that the vendor agrees to charge the card when shipment is made and not sooner. The receipt charge date should coincide with the shipping date.

1.13.4.2. All telephone/Internet/facsimile orders must be recorded on the "Record of Credit Card Use" form when the transaction occurs.

1.13.4.3. Request that the vendor send, via facsimile or e-mail, a copy of the invoice marked "Paid by credit card". The original invoice is still necessary by the Finance Department for reconciliation purposes.

1.13.4.4. Backorders are not allowed without approval by the City Manager.

1.13.5. Documentation

1.13.5.1. Documentation must be retained as a proof of purchase any time a purchase is made using the card. These documents are to be used to verify the purchases on the Monthly Statement of Account.

1.13.5.2. All purchases are to be recorded on "Record of Credit Card Use" form. This form must be maintained as charges occur.

1.13.5.3. If, for any reason, the Cardholder does not have documentation for a transaction, the Cardholder must attach a "Statement of Missing Documentation" form, which provides a description of the item, vendor's name, reason for missing documentation, and the action that will be taken to insure proper documentation in the future. In addition, the Cardholder and the City Manager's signature are required on the form.

1.13.5.4. If receipts are related to travel, it is the Cardholder's responsibility to photocopy the receipts to attach to their "Travel Requisition" form. The original must be forwarded to the Finance Department for reconciliation with Monthly Statement of Account.

1.13.6. Card Restrictions

1.13.6.1. The following uses of a Credit Card are prohibited:

- 1.13.6.1.1. Cash advances.
- 1.13.6.1.2. Personal purchases. A Cardholder may not charge any personal items on the City credit card.
- 1.13.6.1.3. Gasoline purchases or vehicle repairs unless outside the service area and/or in an emergency. Documentation will be required.
- 1.13.6.1.4. Alcoholic beverage purchases.
- 1.13.6.2. Per Diem. Per Diem requests shall be processed through Accounts Payable prior to travel.
- 1.13.6.3. Cardholders shall also comply with any applicable departmental restrictions on usage.
- 1.13.6.4. A Cardholder may not violate any established procurement requirements, where it pertains to obtaining quotes, when using the City credit card.

1.13.7. Reconciliation and Payment

- 1.13.7.1. At the close of each billing cycle (month), a copy of your "Record of Credit Card Use" form is due to the Finance Department on the 15th of each month.
- 1.13.7.2. Attach any additional documentation necessary, complete all forms fully and assure that all necessary signatures have been obtained.
- 1.13.7.3. This form will be reconciled with both the receipts and the "Monthly Statement of Account" by the Finance Department .
- 1.13.7.4. If unable to submit the required documentation by the due date, please contact the Finance Department as soon as possible.
- 1.13.7.5. Payment will be made promptly and before the due date to avoid any service or finance charges.
- 1.13.7.6. Any department not responding promptly to the request for information from the Finance Department or in any way delaying the timely monthly payment of the credit card account will be assessed the finance charges imposed by the issuing financial institution.

- 1.13.8. Lost or Stolen Cards** – Should any Cardholder lose, suspect of having lost, or have their credit card stolen, it is their responsibility to immediately notify the Card Issuer and the Finance Department of the loss. The following steps must be taken to report the loss:

1.13.8.1. Report the loss immediately to the Credit Card Issuer. They can be reached 24 hours a day, seven day a week.

1.13.8.2. Notify the Finance Department immediately upon discovering that the card is missing.

1.13.9. Termination / Resigning Employees

1.13.9.1. All efforts will be made by the Finance Department to obtain the credit card, any receipts, "Record of Credit Card Use" forms and other related forms when a Cardholder employee is terminated or resigns.

1.13.9.2. If the credit card cannot be collected, the Department Head or City Manager, as may be appropriate, will immediately insure the card is canceled.

1.13.10. Policy Violations – Failure to follow this policy may result in loss of Cardholder privileges and may result in disciplinary action, including termination of employment as well as civil and/or criminal charges.

Please reference the Credit Card Usage Authorization Form in Section 5 of this manual.

1.14 Credit Collections

1.14.1. Purpose: The purpose of this policy is to outline the applicable fees for checks returned from the bank on accounts with insufficient funds. This policy applies to Cash Collections by City of Ontario.

1.14.2. When the City receives a check for goods or services, it is deposited into the City's bank account. Upon a check being returned from the bank due to insufficient funds, the party will be notified and informed to pay their balance and applicable fee(s). The following fee schedule will be followed:

1.14.2.1. \$10.00 – Party notified City of returned check prior to bank notifying City and paid balance due with cash, cashier's check or money order

1.14.2.2. \$25.00 – Party notified, failed to pay balance due timely. In the case of utility accounts, the returned check payment will be reversed and the fee charged directly to the customer's account. When the returned check is determined to be other than a utility payment, the department for which the check payment was posted will be notified, the payment reversed, and an invoice will be generated and submitted to the customer. Unpaid invoices will be turned over for collection after 30 days.

1.14.3. If the check in question concerns a service in process, it is the responsibility of the department to stop City services until the debt plus any required fees have been paid.



Section 2 – Financial Management and Internal Controls

Introduction

This section has been developed to provide City staff involved with department financial systems and/or budget preparation with a conceptual framework of some of the basic concepts and processes that is involved with financial management and control. This section is intended to give a brief description of the “universe” in which the budget process “lives”.

2.1 Fund Accounting Theory

2.1.1. Purpose: This section explains the basic concept of fund accounting. It also describes the six types of funds that exist in Ontario City government.

2.1.2. Fund Accounting

2.1.2.1. Unlike most private enterprises, the City provides many services which, were they not provided by a government agency, would be considered monopolistic. Therefore, many of the free market economic controls, such as price, no longer ensure that services are provided in the most effective and efficient manner possible. Also, unlike most private enterprises, governments have the ability to raise revenues through taxes rather than through the exchange of goods or services. Taxes are not usually applied strictly on the basis of the services received in exchange.

2.1.2.2. These two basic differences between private enterprise and governments have led citizens (taxpayers) and other groups with particular interests in government to see “non-market-place” means of controlling the expenditures of government. Legal and political constraints have been instituted which require governments to expend monies in certain restricted ways. Certain resources, such as some Federal grants, are legally available only if they are used for specific programs, e.g., the Community Development Block Grant program. The City is required to refund these resources if they have not been used within the specific conditions established by law or the grant agreement.

2.1.2.3. In order to account for these resources and the related expenditures, an accounting theory based on a measurement unit called a fund was developed. Instead of putting all the City’s resources together in one set of accounts and then trying to figure out what was related to what, the City’s resources are accounted for in separate sub-entities called funds.

2.1.2.4. Each fund is a self-balancing set of accounts, which records all the activity concerning the assets, liabilities, equity, revenues, and expenditures needed to carry on a specific activity. The separation of the City’s activities into funds allows the City to maintain the appropriate (required) controls over expenditures for each activity and to report on specific activities to interested citizens.

2.2 Fund Types:

2.2.1. Purpose: All funds are classified into six (6) fund types. These fund types, and the purpose of each:

2.2.2. General Fund – To account for the administrative, police and fire protection, cemetery, parks, recreation, facilities, community development and technology functions of the City. Principal sources of revenue consist of property taxes, franchise and occupancy taxes, licenses and permits, grants, interest earnings, and operating transfers from other funds. Major expenditures are for personal services, materials and supplies, capital outlay and transfers to other funds.

2.2.3. Special Revenue Funds – To account for the proceeds of specific revenue sources that are legally restricted to expenditures with specified purposes. The City has multiple special revenue funds.

2.2.4. Capital Projects Fund – To account for resources designated to acquire and construct capital facilities primarily related to infrastructure, except for minor acquisitions financed from regular operating funds.

2.2.5. Debt Service Fund – To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

2.2.6. Enterprise Funds – To account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user determination of revenues earned, expenses incurred, and/or net income as appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2.2.7. Fiduciary Funds – To account for resources received and held by the City in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust or other agreements or conditions of the trust for the particular source of funds.

2.3.6.2. Examples of Proprietary fund types are:

2.3.6.2.1. Enterprise Funds

2.3.6.3. Examples of Fiduciary fund types are:

2.3.6.3.1. Agency Funds

2.3.7. Fund codes are created by the Finance Director.

2.3.7.1. **Department** – The Segment of the ACK that represents the department/division that has budget responsibility for an expenditure (xxx **DDD** xxxxxx). Balance Sheet accounts and revenues use 000. Department codes are created by the Finance Director.

2.3.8. **Account** – All financial activity in the City must be recorded to an Account Code (xxx xxx **AAAAAA**). The first digit of the account identifies the account group:

2.3.8.1. 1xxxxx Series Asset and Deferred Outflow Accounts

2.3.8.2. 2xxxxx Series Liability and Deferred Inflow Accounts

2.3.8.3. 3xxxxx Series Fund Balance (Equity/Retained Earnings)
Accounts

2.3.8.4. 4xxxxx Series Revenue Accounts

2.3.8.5. 5xxxxx Payroll Related Expenditure Accounts

2.3.8.6. 6xxxxx Material/Supply Expenditure Accounts

2.3.8.7. 7xxxxx Capital Outlay Expenditure Accounts

2.3.8.8. 800000-819999 Debt Service Expenditure Accounts

2.3.8.9. 822000-849999 Transfer Expenditure Accounts

2.3.8.10. 870000-879999 Operating Contingency Accounts

2.3.8.11. 9xxxxx Unappropriated Ending Balance

2.3.9 Account coding is created by the Finance Director.

2.4 Basis of Accounting/Budget Reporting

2.4.1. Purpose: This section describes two financial concepts that drive the way in which the City's finances are maintained and reported: "Basis of Accounting" and "Budget vs. GAAP Reporting".

2.4.2. Basis of Accounting – Cash vs. Accrual: The term "basis of accounting" refers to when revenues, expenses, expenditures - and the related assets and liabilities – are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made. The following are the bases of accounting used by the City:

2.4.2.1. Cash Basis – Transactions are recognized only when cash is received or disbursed.

2.4.2.2. Accrual Basis – Transactions are recognized when the economic event occurs, regardless of whether or not cash is received or paid.

2.4.2.3. Modified Accrual Basis – Expenditure transactions are recognized when incurred. Revenues are recognized when they are both measurable and available to finance the expenditures of the current period.

2.4.3. Governmental funds, including general, special revenue, debt service, and capital projects, use the modified accrual basis of accounting. For a revenue to be recognized in a governmental fund, it must be "measurable" (the amount must be known or be reasonably estimated), and it must be "available" to finance the expenditures of the same fiscal period for which the revenue is recorded. "Available," in this case, means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. For purposes of consistency, that time-frame shall be sixty (60) days which was set for property tax revenues and within a year for grants and other revenues.

2.4.4. Proprietary funds, which encompass the enterprise funds, use the accrual basis of accounting. These funds have an income measurement/capital maintenance focus. The accrual basis of accounting is used by private enterprises as well.

2.4.5. Financial Reporting - The city implements Governmental Accounting Standards Board (GASB) Statements as required.

2.5 General Ledger

2.5.1. Purpose – This section describes the City's General Ledger system and the ways in which a City employee can access information contained in this system

2.5.1.1. The General ledger accounts for the financial activity of the City by fund and department. All entry and posting generated through cash receipts system, accounts receivable, payroll and accounts payable during any given month is recorded in the general ledger transaction file. Any adjustments that need to be made to the general ledger, i.e. interest earned, reclassifications, and other miscellaneous items are done through manual journal entries. At the end of the month a tentative financial statement is printed and reviewed for any adjustments that are needed before final closing. Each department head is given a copy of the financial statement pertaining to his/her department in order to monitor the financial activity and budget of that department.

2.5.1.2. After the annual audit is completed and all adjusting entries are entered and posted, then the fiscal year is closed. Documentation will be retained according to record retention regulations.

2.5.1.3. Accessing the General Ledger System – Authorized employees may access account activity electronically. The finance department may be contacted for assistance or additional information.

2.6 Appropriation and Appropriation Control

2.6.1. Purpose: This section defines the legal and administrative appropriation control, outlines the legal authority to expend City resources, and describes the types of adjustments and processes required to formulate these adjustments.

2.6.2. Budget Resolution – The basic and initial authority to expend funds is the Budget Resolution passed by the City Council. This Budget Resolution was based on Budget Committee recommendations following submissions from the Finance Director and City Manager.

2.6.2.1. The Budget Resolution sets out the budget for the ensuing fiscal year by fund and department. Department heads, in conjunction with the Finance Director, are responsible for their individual appropriations. The Finance Director facilitates Special Revenue Funds, Capital Improvement Funds, the Debt Service Fund, Agency Funds and Other Financing Sources and Uses.

2.6.3. Legal Appropriation Control – The Budget Resolution for the current fiscal year is at the fund/department level. For example, within the General Fund budget there are specific appropriations for each department. The amount appropriated to a specific department's line items may change as a result of subsequent resolutions or ordinances (amended budgets). The current appropriation as adjusted by resolution or ordinance will appear on the Monthly Revenue and Expense Reports. Department spending must be held within the legally appropriated amount within each fund.

2.6.4. Appropriation Transfer Policy

2.6.4.1. Request for Appropriation Transfer – All appropriation transfers for the operating and capital budgets must be requested through the finance director.

2.6.4.2. The finance director then will prepare a budget resolution for City Council approval. The resolution will be approved by the city manager and city recorder prior to submission to council.

2.6.5. Adjustments to Budget After Approval

2.6.5.1. Budget Resolution– A Budget Resolution to amend the budget is required to process an increase or decrease to an appropriation or to recognize unanticipated revenue. Typical Amended Budget items include:

Financial Policies

- 2.6.5.1.1. Unanticipated grants received for specific programs or services;
 - 2.6.5.1.2. Transfer of existing appropriations from operating to capital projects;
 - 2.6.5.1.3. Beginning Working Capital and other adjustments from the previous fiscal year as a result of the previous year's audit;
 - 2.6.5.1.4. Unanticipated increases in appropriations or revenues to a fund.
- 2.6.5.2. Approval Process
- 2.6.5.2.1. Departments must submit a budget amendment request to the Finance Director prior to a designated deadline. The review process will begin one week prior to the report deadline set by the City Recorder.
 - 2.6.5.2.2. All requests will be reviewed by the City Manager and Finance Director prior to submittal to the City Council.
 - 2.6.5.2.3. In the event the amount of the proposed change requires that a Supplemental Budget be adopted, the Finance Director will ensure that all State regulations are followed. Supplemental Budgets exceeding 10% of the fund balance will require advertising a public hearing before adoption by the City Council.
 - 2.6.5.2.4. All Budget Resolution items are reviewed and approved by the City Council.
 - 2.6.5.2.5. Appropriation amendments are reflected on revenue and expense reports for the month in which the City Council approved the action.

2.7 Appropriation (General Ledger) Reports

2.7.1. Purpose: This section outlines the reporting mechanism for monitoring the fiscal status of the approved budget.

2.7.2. Financial Statement – After the month ends, a Financial Statement is generated which summarizes each revenue and expenditure account detailing budgeted amount, total collected or spent for the month and year-to-date, current year encumbrances and the percentage of total to budgeted dollars. Each department/division head receives a Financial Statement for that department's activity, which serves as a tool for monitoring the department's budget. The City Council, City Manager, and Finance Director also review the monthly Financial Statement for unusual activity. At any time during the month, an up-to-date Financial Statement may be generated upon request.

2.8 Financial Monitoring System

- 2.8.1. Purpose:** This section outlines the general financial monitoring responsibilities of principal City entities involved in the management and use of the City's resources.
- 2.8.2. City Manager** - The City Manager is ultimately responsible for the implementation and management of the budget and for the proper use and preservation/protection of the City's assets.
- 2.8.3. Finance Department, Finance Director** - The Finance Director is charged with the primary responsibility for monitoring the fiscal and program implementation of the approved budget. The Finance Director will report monthly to the City Manager on various aspects of budget implementation and management. In addition, the Finance Department will work closely with other departments to apprise them of their financial status and of any potential issues that may affect their budgets. The Finance Department may review fiscal issues affecting any part of the City organization. This activity supports the monitoring role and focuses on the protection of City assets and the legal, efficient, and effective use of City resources.
- 2.8.4. Departments** - Departments are responsible for monitoring and managing their resources to ensure that the legal and administrative appropriation to the department is not overspent and that all expenditures and uses of City resources are in conformity with City, State, and Federal ordinances, statutes, policies, and regulations.
- 2.8.5. Legal Appropriation** – Each department is responsible for ensuring that expenditures do not exceed the legal appropriation level for their department within each fund. The legal appropriation level for operating requirements is at the fund/department level. The legal appropriation for capital requirements is at the fund level. Each department is responsible for ensuring that expenditures do not exceed their department's portion of capital appropriation within the fund.
- 2.8.6. Revenues** - Departments are responsible for monitoring revenues that are collected as a result of programs administered by their departments. If a significant change in the estimate for the current or future fiscal years results, the department must contact the Finance Director to advise of the change.

2.9 Grant Management System

2.9.1. Purpose: This section provides direction to departments for using City financial systems for effective grant management.

2.9.2. Preliminary Internal Review

2.9.2.1. Application for a new grant includes a preliminary review by the Finance Director and City Manager. The initiating department will request and coordinate input by submitting a memo to the City Manager and Finance Director specifying the following:

- 2.9.2.1.1. The granting agency and catalog of Federal Domestic Assistance identifying number;
- 2.9.2.1.2. The amount and purpose of the grant;
- 2.9.2.1.3. The amount of City match required, including any related City expenses which would not be covered by the grant;
- 2.9.2.1.4. The funding source for TOTAL City share (both the match and the ineligible expenses);
- 2.9.2.1.5. Indication of whether the funding source is from the department's existing appropriation or whether a supplemental appropriation will be necessary;
- 2.9.2.1.6. The Fiscal year in which the grant is anticipated to be received;
- 2.9.2.1.7. Any insurance risks or requirements to be considered;
- 2.9.2.1.8. An estimate of the total program/project cost, including any ongoing impact on operations; and
- 2.9.2.1.9. Any other government agencies involved in the grant.

2.9.2.2. The information will be reviewed and concerns or questions will be communicated to the initiating department within five working days. If the decision is favorable, the department may proceed with the grant application. The information submitted will become a permanent part of the grant file. If the Finance Director identifies issues, the department may be asked for more information to support the request.

2.9.3. Acceptance Process

2.9.3.1. Upon notice of grant award, the grantee department submits the contract to the City Manager's Office for signature and Council action based on the dollar amount (if required). The Department Head shall not be authorized to enter into grant contracts on the City's behalf.

2.9.3.2. If Council action is required, the grantee department prepares a grant resolution and submits it and the contract to the City Manager's office.

2.9.3.3. Grantee department sends copies to interested parties and all original documentation to Finance.

2.9.4. Budget Process

2.9.4.1. Request new grant, activity and revenue codes from Finance. These codes will be used to track grant revenues, expenditures, and City match.

2.9.4.2. There are two options for budgeting grants:

2.9.4.2.1. Budget only the amount of the grant and match expected to be spent in the current fiscal year, or

2.9.4.2.2. Budget and encumber the entire amount of the grant and the match, regardless of the amount you intend to spend during the current year. At the end of the fiscal year, the actual expenditure will be reconciled with the budgeted amount. Any remaining encumbrance will be carried forward to the new fiscal year.

2.9.5. Record Management Process – A complete set of records will be maintained in accordance with the Records Retention Policy of the City of Ontario and all applicable state and federal laws.

2.9.6. Purchasing Process – Within the City of Ontario, the Finance Department has been given authority and responsibility for purchasing activity oversight. Detailed policy guidance is provided in Section 1.8. The key provisions for ensuring compliance with Federal and State grant requirements are summarized below:

2.9.6.1. Make maximum, most economical use of available resources.

2.9.6.2. Provided maximum open and free competition in all purchasing transactions.

2.9.6.3. Conduct purchasing procedures in accordance with the purchasing procedures of the City of Ontario.

2.9.6.4. Use purchasing methods, which meet Federal and State requirements.

2.9.6.5. Conduct analysis of decisions to determine appropriateness of contract pricing or contract costs.

2.9.6.6. Provide documentation to substantiate compliance with requirements (a) through (e).

2.9.7. Accounting Process

2.9.7.1. The City of Ontario general ledger system constitutes the official database for grant financial reporting.

2.9.7.2. The grantee department is responsible for providing staffing resources to create the original supporting documentation for grant expenditures and to verify that these are correctly recorded in the City's accounting system (e.g., time sheets, accounts payable).

2.9.7.3. The Finance Department is responsible for maintaining the purchasing, payroll, accounts payable, accounts receivable, cash receipts system according to grantor standards.

2.9.8. Cash Management Process

2.9.8.1. Programs funded with grant revenues are not to rely on general City cash resources to meet cash flow shortfalls. Grant draw downs are to be requested from the grantor agency as soon and as often as practical.

2.9.8.2. The finance department may prepare or provide review for requests for grant draw downs on the grantor's forms according to the decided upon schedule.

2.9.8.2.1. Federal grant payments are requested by letter of credit to be disbursed by Federal funds wire.

2.9.8.2.2. Checks for State and local grants are made payable to the City of Ontario and mailed to the City of Ontario, 444 SW 4th Street,

Ontario, Oregon 97914.

- 2.9.8.2.3. Grant payments by Federal funds wire are directed to the contracted bank for credit to the City of Ontario's general account.

2.9.9. Program Compliance Process

2.9.9.1. Successful grant management requires that the City be able to demonstrate that the service delivery and/or project requirements of the grant have been met.

2.9.9.1.1. The grantee department is responsible for constantly monitoring performance to ensure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved.

2.9.9.1.2. The Finance Department will provide technical support to consult with departments on program compliance issues.

2.9.10. Audit Process

2.9.10.1. The audit of a grant includes program compliance as well as financial compliance testing. The grant may be audited annually or at the end of the project or program. State and local grants have the potential to be audited by the particular agency involved. Federal grants are required to follow Uniform Guidance regulations.

2.9.10.2. Finance will assess the audit requirements for the grant and develop the plans for the audit with cooperation from the grantee department.

2.9.10.2.1. For Federal grants, finance will schedule an audit under Uniform Guidance (if required) as part of the annual City comprehensive audit and keep the grantee department informed of the schedule.

2.9.10.2.2. Finance will schedule all other audits with the granting agencies and keep the grantee department informed of the schedule.

2.9.10.2.3. Finance and the grantee department are responsible for meeting auditor information needs for financial and compliance testing; in a timely manner.

2.10 Internal Control Violations

2.10.1. Purpose: This section provides direction to the Finance Department for methods in enforcing the City's internal control policies. Employee adherence to established internal control policies is essential in maintaining an adequate internal control system that can enlist confidence from the public over the use of public funds and be utilized for independent audit purposes.

2.10.2. Violations – General Guidelines

2.10.2.1. Occasionally it is necessary for the Finance Department management, together with departmental management staff, to resort to corrective action when other actions are inappropriate, or where a particular employee fails to respond to informal guidance. To provide a fair method of correcting, and when necessary, disciplining employees, the City will use progressive warning and discipline procedures.

2.10.2.2. A warning shall be initiated for any proper reason for violations of the City's established internal control procedures. Progressive warning for violations include: first, Verbal Counseling, next, Written Warning, and finally, a request to the City Manager that a Violation be placed in the employee's personnel file.

2.10.3. Appeal of Violation Actions

2.10.3.1. Any regular employee who has received a written warning or violation shall have the right to appeal to the City Manager. Notice of the appeal must be filed not later than ten (10) days of the effective date of the action. The Notice of appeal shall include at least the following information: (a) a statement of the complaint and the facts upon which it is based; (b) the remedial action requested; (c) a statement of the reasons why the remedial action is appropriate; (d) a statement of any policies, procedures or law or rules which have not been adhered to or which should be followed. The appeal shall be heard by the City Manager within twenty (20) days after receipt of the request. The City Manager shall furnish the department head concerned with a copy of the notice of appeal in advance of the hearing.



Section 3 - Budgeting

3.1 Introduction

- 3.1.1. This section has been developed to provide City staff involved with budget preparation with a conceptual framework in which to prepare the Executive Budget Recommendation. Whenever possible, specific policies, procedures, and parameters have been outlined to enable the user to operationally develop a particular aspect of the budget. There may be instances when an unusual situation that might affect a department is not addressed in this manual; in that case, the department should contact the Finance Director for specific instructions to address the situation.

3.2 Budget Process Timeline

3.2.1. A budget calendar is prepared each year by the city manager and finance director and is approved by the City Council. This will give the general guidelines on the timing of the budget steps.

3.3 Department Responsibility

3.3.1. **Purpose:** This section describes the responsibilities of departments related to the budget document, budget activities, and designation of a Budget Coordinator.

3.3.2. Departments are responsible for the following materials for the budget document:

3.3.2.1. Budget narrative including accomplishments and performance indicators.

3.3.2.2. Financial Summary Requests: Information regarding historical and current financial line item allocations will be provided to each department. The information will be presented in such a format that the department will update the request column and then return the final document to the Finance Director.

3.3.3. In addition to the preparation of budget document materials, departments participate in the following activities:

3.3.3.1. Revenue projections

3.3.3.2. Full-time employee (FTE) reconciliation

3.3.3.3. Capital project and encumbrance reserve estimates

3.3.4. Each Department Head will have the following responsibilities:

3.3.4.1. Act as liaison between the department and the Finance Director

3.3.4.2. Disseminate information from Finance within the department

3.3.4.3. Attend Team Budget meetings

3.3.4.4. Coordinate departmental budget activities and ensure that deadlines are met

3.3.4.5. Review all budget materials for accuracy, content, and style

3.3.5. Department information is confidential until released by the City Manager, or his designees.

3.4 Budget Review Process

3.4.1. **Purpose:** This section describes the Budget Review Process.

3.4.2. The framework for municipal budgeting is established by Oregon Local Budget Law as set forth in Chapter 294 of the Oregon Revised Statutes. The law has four major objectives.

3.4.2.1. It establishes standard procedures for preparing, presenting and administering the budgets of Oregon's local government;

3.4.2.2. It encourages citizen involvement in the preparation of the budget before its formal adoption.

3.4.2.3. It provides a method of estimating revenues, expenditures and proposed taxes.

3.4.2.4. It offers a way of outlining the programs and services provided by local governments and the fiscal policy used to carry them out.

3.4.3. The City Council adopts an annual budget on the modified accrual basis of accounting for all governmental fund types. The procedures outlined below are followed in establishing the allocation of resources and determination of expenditures.

3.4.4. The Finance Director and the City Manager, with the assistance of the department heads, prepares a budget of estimated revenues and expenditures for the forthcoming year. The City Manager and Finance Director review the proposed revenues and expenditures with each department head. After necessary revisions have been made, the City Manager and Finance Director, submits the budget to the budget committee.

3.4.5. The Budget Committee then conducts budget work sessions with the City Manager, Finance Director and staff to make final revisions to the proposed budget. Notice of the scheduled Budget Committee Meetings must be published twice, five to 30 days before the committee meeting. Publications must be separated by at least five days. Public Budget Committee meetings, commencing with the budget message, will be held until all fund budgets are recommended for approval.

3.4.6. The budget is presented in an advertised budget hearing, as required by law, before the City Council by the Finance Director. This usually occurs at a City Council meeting in June. The City Council is required to approve a budget for the subsequent year by June 30.

- 3.4.7.** The city reviews the budget appropriations and actual financial requirements on a continual basis. The City Council may, by adoption of a budget resolution or supplemental budget, make adjustments to revenues and expenditures during that time up to the limits allowed by State budget law.
- 3.4.8.** At the end of each budget period, all positive appropriated balances lapse expenditures are not carried forward unless budgeted to do so. The level of budgetary controls, the level at which expenditures cannot legally exceed the appropriated amount, are established at the fund level. Effective budgetary control is also aided in the general fund by establishing controls at the department level.
- 3.4.9.** During the budget year, the City Manager may transfer any unencumbered balance or portion thereof from the expenditure authorization of one account to another within expenditure type in the same fund.

3.5 Taxing Authority

- 3.5.1. The Council shall levy and cause to be assessed and collected ad valorem property taxes.
- 3.5.2. Each year the Finance Director shall present to the Council the following information for each tax rate to be levied:
 - 3.5.2.1. The estimated assessed valuation by category of real property in the city as entered in the tax book for the fiscal year kept which the tax is to be levied.
 - 3.5.2.2. The assessed valuation by category of real property in the City for the preceding taxable year.
 - 3.5.2.3. The amount of revenue required to be provided from the property tax as set forth in the annual budget adopted.
 - 3.5.2.4. The proposed tax rate to be set.
- 3.5.3. The Finance Director shall forward the estimate to the County Clerk on or before July 15th of each year. The Council shall also conduct at least one public hearing on the estimate and the proposed tax rate.



Section 4 – Operations/Customer Service

4.1 Introduction

- 4.1.1. Financial operations are the link between the budgeting process and financial management. This portion of the Financial Policies and Procedures Manual is intended to give a readily available resource of guidelines and processes that affect many daily, weekly, and monthly financial transactions.
- 4.1.2. The wide range of specific circumstances and conditions, which may occur with respect to any given transaction prohibit an exhaustive list. Nonetheless, this listing serves as a basis to assist you in financial processing and will be revised continually as policies change and circumstances require new guidelines.

4.2 Accounts Payable

4.2.1. Purpose: The Purpose of this section is to describe the overall function of Accounts Payable. This includes the outline of special account procedures related to authorizing expenditures, establishing and maintaining cut-off dates when submitting invoices for payment, processing Purchase Orders, creating and maintaining vendor files, processing invoices, entering accounts payable invoice data for payment, payments to employees, employee travel and mileage reimbursement checks, special run vendor checks and policies concerning releasing checks.

4.2.1.1. Expenditure authorization – Expenditure authorization is established by the budget appropriation. The City Manager and Department Heads, or their designees, execute the distribution of these funds by the coding of Purchase Orders and subsequent invoices.

4.2.1.2. Invoice Payment Schedule – Invoices are scheduled for weekly payment. The cut-off dates are established by the City Manager with input from the Finance Department each calendar year.

4.2.1.3. Purchase Orders – Purchase orders are initiated by the Department Head or their designee and processed by Accounts Payable. Accounts Payable receives encumbered invoices and releases the data for additional check processing.

4.2.1.4. Vendor Numbers – Vendor numbers are established for all individuals and organizations to receive payment through the City's accounts payable. These numbers are based on alpha and numeric order with addresses and social security numbers as supporting data.

4.2.1.5. Establishing Invoices – All invoices should include distribution information if it varies from the regular process. To be considered for payment the following forms will be accepted.

4.2.1.5.1. Purchase order must be completed at the time of order by requester and accompanied by supporting data.

4.2.1.5.2. An invoice provided by payee.

4.2.1.6. Processing Invoices

4.2.1.6.1. Accounts payable receives all invoices, statements, and credits. The invoices are reviewed for accuracy and correct balances.

Financial Policies

- 4.2.1.6.2. The invoices are distributed to authorized department heads for coding if no Purchase Order is on file.
 - 4.2.1.6.3. A vendor number is assigned to each invoice.
 - 4.2.1.6.4. Data is entered to create an edit list showing vendors and an explanation of the expense.
 - 4.2.1.6.5. Checks are generated and released after signatures are obtained on the checks.
- 4.2.1.7. Payments to Employees – Employees may not authorize payments to themselves. The employee’s department head or the City Manager must approve the expenditure. The mayor will approve City Manager payments.
- 4.2.1.8. Employee Travel – Employee’s may request funds in advance for travel using a “Travel Request Form” with payments being processed on the regular accounts payable cycles prior to departure. Guidelines for travel advances are set forth in the current employee rules and regulations. All funds must be requested in advance with a Travel Request Form and reimbursed upon return using an “Expense Reimbursement Request/Verification Form”; with documentation and receipts attached. See Section 5.
- 4.2.1.9. Emergency Vendor Checks – Checks that cannot be processed using the regular guidelines will be processed during a “special check run.” Special check runs must be approved by the Finance Director.
- 4.2.1.10. Educational Assistance – All continuing education courses for which reimbursement will be considered must follow the procedures outlined within Section 1.9 Employee Development.

4.3 Purchasing/Procurement

4.3.1. Please refer to Purchasing Policy for specific guidelines on purchasing.

4.4 Purchase Orders

4.4.1. Purpose: The purpose of this section is to describe the responsibilities of the Purchase Orders for the City of Ontario.

4.4.2. Purchase Orders

4.4.2.1. The Accounts Payable Division is responsible for the automated recordkeeping portion of purchasing.

4.4.2.2. The City utilizes pre-numbered 'small' purchase orders (8 ½ x 4) and authorizes all Department Heads to issue said purchase orders for amounts up to \$1,000. Department Supervisors are authorized to issue 'small' purchase orders for amounts up to \$500. Other department staff are not authorized to issue purchase orders unless the Department Head or Department Supervisor issue a memo to the Finance Department identifying an individual who is authorized to sign 'small' purchase orders for a specific amount. In no case shall authority be granted in an amount that exceeds the Department Head or Supervisor authority.

4.4.2.3. The City utilizes pre-numbered 'large' purchase orders (8 ½ x 11) and authorizes all Department Heads to request said purchase orders for amounts up to \$4,999, when evidence of adherence to purchasing provisions are presented to the Accounts Payable Specialist or Finance Director. Upon establishment of compliance with the City's purchasing policies, the Department Head may sign the 'large' purchase order and procure the goods or services.

4.4.2.4. 'Large' purchase orders for amounts of \$5,000 or greater must be signed by both the Department Head **and** the City Manager following review for compliance to purchasing policies.

4.4.2.5. As previously stated, Purchases in excess of \$10,000 require bid documentation. The bid/contract document represents a liability to the City and to ensure the monies will be available for payment on a future date, the budget must be encumbered. The Finance Department will encumber the monies upon request and proper signatures and the system will generate a purchase order as documentation. The invoice will be receipted against the accounts payable invoice. An invoice, exceeding a purchase order amount, must be approved by the initiating Department Head prior to being amended/ increased.

4.4.3. Vendor Codes

4.4.3.1. Payment of invoices requires vendor information to be entered into the accounting system. The Accounts Payable Division will assign vendor codes using six-digit alpha-numeric combination, enter vendor information, and maintain the vendor codes in a report format.

4.4.4. Accounts Payable Processing

4.4.4.1. Once the Accounts Payable Division determines the invoices to be paid and is responsible for entering the invoices in the accounting system. The checks are then printed, signature(s) are obtained and checks are mailed.

4.5 **Fixed Assets**

- 4.5.1.** Fixed assets are maintained by the Finance Department using a perpetual inventory system. The term “fixed asset” is used to describe land, buildings, vehicles, equipment, and other items used in providing services to the community. It is important to track an entity’s fixed assets to help protect the items against theft, loss, or misuse. The City will perform a physical inventory of its tangible capital assets, either simultaneously or on a rotating basis, so that all of the City’s tangible capital assets are physically accounted for, at least once every five years. Each asset will be included in a detailed physical inventory report and will identify items that have been disposed of or transferred to a different location within the City.
- 4.5.2.** It is the department’s responsibility to notify the Finance Department upon transfer to another department or disposal.
- 4.5.3.** For financial statement purposes, the City capitalizes and reports any individual Fixed Asset over \$5,000 in Governmental Activities and Business-Type Activities with an estimated useful life of at least one year following the date of acquisition. The City will apply its threshold to individual items rather than to groups of similar items (e.g., desks and tables). Infrastructure assets will be treated separately from other capital assets and the capitalization threshold will focus on new construction or extension of useful life of an existing infrastructure item.

4.6 Accounts Receivable

4.6.1. This section describes the system used by the City of Ontario to bill outside organizations, businesses, and citizens for services provided by the City.

4.6.1.1. Real Estate Taxes are calculated by the Malheur County Assessor's Office and are billed and collected through the Malheur County Collector's Office for the City of Ontario.

4.6.1.2. All water and sewerage charges are billed and collected by the Utility Billing Clerk.

4.6.1.3. All other services performed (including utility services, use of City facilities, contract agreements and grant draws) and reimbursements for the City of Ontario are billed by the Finance Department.

4.7 Cashier/Cash Receipts

- 4.7.1. **Purpose:** This section describes the process to be followed by the cashier when receiving payments.
- 4.7.2. Cash is received either over the counter at city hall, or via wire transfer to the City's bank account. In cases of counter activity, a customer receipt is prepared by the Cash Receipts Specialist on the computerized cash register, which enters the transaction into the system, and is reviewed by Accounts Receivable. In cases of wire transfer to the City's bank account, a customer receipt is prepared by the Finance Department on the computerized cash register, which enters the transaction into the system, and is reviewed by the Finance Director. The computerized cash register also generates a cash receipts journal.
- 4.7.3. The cash receipt journal is prepared automatically by the computerized cash register. Therefore, as the cash is received into the register and a receipt is issued to the customer, the same information is used by the computer to prepare the cash receipts journal.
- 4.7.4. Each afternoon by 4:00 p.m., a posting is made to the central account for that day's activity. This provides for daily balancing of cash received and receipts generated for the day. Posting to the cash receipts journal is done each day a deposit is made. This posting must balance to all daily central account posting done since the last cash receipt journal posting.
- 4.7.5. Reports with the same posting information are generated each day and kept on file in the Finance Department.
- 4.7.6. Each time a deposit is made, the Finance Department prepares a deposit summary sheet, which is a summary of the day's receipts. This sheet shows the amount deposited to each fund and total amount deposited into the bank account.
- 4.7.4. After all posting is done, the Finance Department prepares a deposit slip, and a second Finance Department employee verifies the deposit. A member of the Finance Department then delivers the deposit. After each deposit is made, the deposit receipt is compared to the amount recorded on the deposit summary sheet.
- 4.7.5. Internal controls involving cash receipts include:
 - 4.7.5.1. Cash receipts are numbered by the computerized cash register.

Financial Policies

- 4.7.5.2. Authorized personnel must enter a password prior to processing a receipt.
- 4.7.5.3. All void receipts are retained and noted for reason of void.
- 4.7.5.4. All checks submitted to Finance for processing shall be endorsed with:

FOR DEPOSIT ONLY
BANK NAME
CITY OF ONTARIO
ACCOUNT NAME
A/C (DEFINED)

- 4.7.6. Internal controls involving month-end procedures include month-end balancing of the deposit summary sheets and bank statements are performed by the Finance Director and approved by the City Manager.

4.8 Payroll

4.8.1. Purpose: The purpose of this section is to describe the overall function of Payroll and to outline special procedures related to emergency payroll checks, copies of applicable personnel records, time sheet deadlines and signature requirements; and the City's policies for holidays and leaves of absence. Also provided is information on overtime pay and compensatory time.

4.8.2. Payroll – Payroll pays all employees' salaries and wages; prepares monthly, quarterly, and yearly reports on federal and state taxes; and issues W-2 tax forms to the government agencies and employees. Payroll also prepares for payment of all insurance billings, employee retirement funds, deferred compensation, and mutual funds. Payroll processes garnishments, direct deposit, and general ledger account reconciliation for payroll-related accounts. Payroll maintains all time accrued for employees, merit increases, and other personnel action data.

4.8.3. Special Payroll Procedures

4.8.3.1. Emergency Payroll Checks – Payroll checks other than those issued on the regular paydays will be processed as necessary.

4.8.3.1.1. All requests for emergency payroll checks must be submitted to Payroll at least 24 hours in advance of the time the check is needed

4.8.3.1.2. The emergency processing is subject to approval by the City Manager or his/her designee.

4.8.3.2. Copies of Forms – Payroll must have a copy of a new employee's Social Security card or other paper verification included with the hire Personnel Action form (PAF) (See Section 5). Employees are required to complete and sign a W-4 form and an I-9 form.

4.8.3.3. Time Sheet Information – Employees are required to sign their timesheets. Supervisors review and countersign the time sheets of their employees. The deadline for turning in time sheets for payroll is 5:00 PM on the 21st of each month. If the 21st is on a weekend or holiday, timesheets are due on the following workday morning. This deadline will only be changed thru notification by the Finance Department.

4.9 Treasury Management

4.9.1. **Purpose:** This section describes the treasury functions and outlines specific procedures to cash and debt management that are established within the Finance Department.

4.9.2. The Finance Director performs the primary function of treasury.

4.9.3. Treasury functions include the following:

4.9.3.1. Manage the City's investments

4.9.3.2. Oversee banking relations

4.9.3.3. Issue, track and manage the City's debt

4.9.3.4. Track City's contractual obligations relative to cash disbursement

4.9.3.5. Monitor cash flow

4.9.4. Specific Cash and Debt Management Procedures are as follows:

4.9.4.1. Loans/Installment Purchases - Because all loans and installment purchases are considered the City's debt, it is very important that Finance complete those transactions on behalf of the City. Finance will maintain a copy of the agreement, payment schedule, and contact name. Finance is also available to review terms of any loan or lease purchase agreement. All payments will be processed through Finance.

4.9.4.2. Credit Cards – Credit cards will be issued according to the City's travel and training policy. The use of these cards is primarily for convenience when traveling. An expenditure that is inappropriate for use of City funds may not be made on a City credit card.

4.9.4.3. Cashiering and Deposits – City offices that accept payments are limited to the Recreation Center and they must establish a system for timely deposit and recording of the funds. Use of printed, pre-numbered receipt forms is required. Turnover documentation providing appropriate account codes to credit the deposits should be sent to the Finance Department no later than two working days following the receipt. This ensures accurate credit of the deposit to the General Ledger accounts and timely deposit of funds received.

4.9.4.4. Bank Accounts – Bank accounts may only be opened by the Finance Department, following approval by the City Manager and authorization

by the City Council. No other employee or department of the City shall open a bank account in the City's name using the City's tax identification number.

4.9.4.5. Account Reconciliation – Monthly account reconciliation will be performed by the Finance Department, with copies of required information furnished to Finance within a timely manner. Reconciliation will clearly show beginning balance, deposits made, checks written, outstanding checks, and any charges or unusual items. The reconciliation must agree between the bank statement and the general ledger.

4.10 Front Desk

4.10.1. Mail

4.10.1.1. All outgoing mail is processed at the front desk. Each department is responsible for the cost of its mail. The postage meter tracks the number of pieces and the dollar amount by the department.

4.10.2. Billing

4.10.2.1. Each month a table is prepared for each department listing the amount owed for postage. Adjustment to accounts for payment of postage are made at the close of each month.

4.10.3. Petty Cash

4.10.3.1. Petty cash can be obtained from the front desk upon authorization. The procedure to obtain petty cash is to fill out a petty cash slip, provided by the front desk, noting the date, amount, account coding, reason for request, and approval by authorized personnel. The maximum limit is \$20 per request.

4.10.3.2. Request to draw more than \$20 from Petty Cash can be made to the Finance Director and will be considered when funds allow.

4.11 Surplus Property Disposal

4.11.1. Purpose: This section describes the methods for disposal of surplus personal property at the City of Ontario. Disposal of the City's surplus property is under the direction of the Finance Director. As items were purchased with public funds, the Council must declare items to be surplus prior to disposal and said disposal. In every instance, unless specifically authorized by the City Council, revenues from the sale of surplus items must be deposited into the City's bank accounts. The methods of disposal used are:

4.11.2. Deminimus Valued Items – Non-capital material and supply Items that are normally used up during the normal course of business and have an individual value of less than \$2,500, are exempted from the formal surplus disposal process. These items can be thrown away, destroyed, or sold at a City yard sale without a declaration of surplus property.

4.11.3. Unusable Equipment – The disposal of capital equipment that has only a salvage value that is less than \$2,500, is exempted from the formal surplus disposal process. These items can be sold for salvage value without a declaration of surplus property.

4.11.4. Auction Sale of Property – Non-attached personal property may be sold at auction if the Finance Director determines that the auction contemplated will probably result in a higher return than if the property were sold by competitive written bid.

4.11.5. Liquidation Sales of Personal Property – The Finance Director may approve a department to sell personal property through a commercially recognized third-party liquidation if the Finance Director has determined that a liquidation sale will result in increased net revenue and the selection of the liquidator was conducted as a minimum, by the competitive Request for Proposal process.

4.11.6. Fixed Price Sale of Property - The Finance Director may approve a department to sell personal property, including recyclable or reclaimed materials, without formal competitive bidding if the Finance Director has determined that this type of sale will result in increased net revenue and the City is in compliance with the following conditions:

4.11.6.1. When the current market value per item is deemed to be less than \$5,000, the Finance Director may establish or approve a Department Manager's selling price, schedule and advertise a sale date, and sell to the first qualified buyer meeting the sales terms.

4.11.6.2. City employees may submit an offer meeting the sales terms for the personal property when no offers meeting sale terms have been received within 72 hours of the sale date.

4.11.7. Sealed Competitive Bid for Property - When the current value per item is deemed to exceed \$5,000, the personal property must be offered for competitive written bid and be advertised in accordance with state statutes or be offered for sale at public auction. If no bids are received or if a determination is made that the market value of the property exceeds that offer of the highest responsible bidder, all bids may be rejected and the Finance Director or appropriate Department Head may negotiate a sale subject to the following conditions:

4.11.7.1. An appraisal of the market value of the property is obtained and documented and the negotiated sale price meets or exceeds the market value; or

4.11.7.2. The sale amount exceeds the highest bid received through the bidding or auction process.

4.11.8. Donations of Property – The City Manager may transfer property, including recyclable or reclaimed materials, without remuneration or only nominal remuneration without competitive bids to the following activities:

4.11.8.1. Another public agency; or

4.11.8.2. Any sheltered workshop, work activity center, or group care home which operated under contract or agreement with, or grant from, any State agency and which is certified to receive Federal surplus property; or

4.11.8.3. Any recognized non-profit activity, which is certified to receive Federal surplus property. The Finance Director may donate or sell, without competitive bids, surplus property to recognized private non-profit social or health service activities, subject to the following conditions:

4.11.8.3.1. A determination has been made that the property is not needed for other public purposes and that its economic value has been expended by the City;

4.11.8.3.2. It will be transferred to the non-profit corporation for the express purposes of providing the public services the non-profit corporation provides;

4.11.8.3.3. If the property has a current market value of \$250 or more, the donation or sale shall:

- 4.11.8.3.4. Be approved by the City Manager;
- 4.11.8.3.5. Be documented by the Finance Director to be clearly in the public interest; and
- 4.11.8.3.6. Be determined by the City Manager and Finance Director that this is the most efficient and cost-effective method for disposing of the property.

4.11.8.4. The Finance Department shall maintain a record of all transfers, donations, or sales authorized by Subsections 1 and 2 of this section.

4.11.9. Items of Specialized and Unique Use – Items of specialized and unique use, including but not limited to, uniforms, special clothing, and articles of personal apparel having individual current value of less than \$100 per item (such as a pair of shoes) may be sold to City employees or retired or terminated employees for whose use they were purchased. These items may be sold without bid and with a process deemed most efficient by the responsible Department Head.

4.11.10. Trade-In of Property - Property may be traded in conjunction with acquisition of other items at the time competitive bids are solicited for those items. Notice of the item traded in should be provided to Finance by the appropriate Supervisor or Department Head within seven (7) days of trade to remove from the asset list and discontinue insurance coverage.



Section 5 - Forms