

2020

# CITY OF FORT SCOTT FINANCIAL POLICIES

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Subject	Section	Policy	Effective Date	Revision Date
Fund Balance	I	100		

## Purpose

The Fort Scott City Commission understands it has a responsibility to maintain prudent financial operations to ensure stable city operations for the benefit of city residents and businesses. This policy is necessary in maintaining a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary economic conditions or unforeseen one-time expenditures. Appropriate fund balance targets are expected to differ from city to city, based on each city's specific circumstances. Factors to consider include size of the government, diversification of revenue and volatility of revenues sources.

Unencumbered cash reserves are an important component in ensuring the overall financial health of a community, by giving the city cushion to meet contingency or cash-flow timing needs. The government finance officers association (GFOA) recommends that governments maintain a fund balance of no less than 5% - 15% of revenues, or one or two months of operating expenditures.

Maintaining fund balances at a prescribed level involves two components:

- 1) Budgeted reserves
- 2) Conservative budgeting ensuring revenues exceed expenditures

## Application

This policy applies to all current and future funds established by the city. Fund balances shall first be attained and then maintained in accordance with the levels adopted within this policy.

Subject	Section	Policy	Effective Date	Revision Date
Fund Balance	I	101		

## Minimum fund balance requirements

In order to avoid service disruptions that otherwise could arise from revenue shortfalls or unanticipated expenditures, business funds shall be managed by the Finance Director and Department Directors in such a way as to maintain a minimum unencumbered cash balance on the last day of each fiscal year to equal at least twenty-five percent (25%) or three months, of current fiscal year budgeted annual operating expenditures before any transfers out.

## Excess unencumbered cash balances

In the event the unencumbered cash balance exceeds the minimum balance requirements at the end of each fiscal year, the excess may be used in one or a combination of the following ways:

- Debt reduction
- One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future

operating costs.

- Establishment of or increase in reserves for risk management programs, equipment replacement, capital projects, emergencies, or disaster recovery.
- Start-up expenditures for new programs, provided that such action is approved by the City Commission and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Finance Director.

## Restoration of minimum fund balances

Should the unencumbered cash balance fall below the target level, the Finance Director and Department Directors will prepare and submit a plan to the Governing Body for approval to restore the balance to the target level and achieve the target level as soon as practicable within six calendar quarters of the deficiency.

Subject	Section	Policy	Effective Date	Revision Date
Fund Balance	I	102		

## Responsibility for enforcement

The City Manager has designated the Finance Director with the responsibility for the enforcement of this administrative policy. Department Directors will be entrusted with the responsibility of enforcing the policy within their departments.

Subject	Section	Policy	Effective Date	Revision Date
Debt Management	II	200		

## Purpose

This debt management policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policies that:

- (1) the city obtain financing only when necessary,
- (2) the process for identifying the timing and amount of debt or other financing be efficient,
- (3) the most favorable interest rate and other related costs be obtained, and
- (4) when appropriate, future financial flexibility be maintained.

To enhance creditworthiness and prudent financial management, the city is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to capital planning will be demonstrated through adoption and periodic adjustment of the City's comprehensive plan and the annual adoption of a capital improvement plan (CIP) identifying the benefits, costs and method of funding for each capital improvement planned for the succeeding five years. This also includes capital equipment purchases exceeding \$100,000.

## Types of Financing Instruments

**General Obligation Bonds:** General Obligation (GO) Bonds are secured either by a pledge of full faith and credit of an issuer or by a promise to levy taxes in an unlimited amount as necessary to pay debt service, or both. GO Bonds usually achieve lower rates of interest than other financing instruments since they are considered to be a lower risk. Such bonds are issued pursuant to K.S.A. 10-101 et seq., K.S.A. 10-620 et seq., and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, for the purpose of paying a portion of the cost of certain street, sewer, public utility, and other public improvement projects. Adoption of a bond resolution by the City Commission is required for the issuance of general obligation bonds. General obligation bond debt repayment is generally reliant on property tax revenues.

**Revenue Bonds:** Revenue Bonds are obligations payable from revenues generated by an enterprise, such as Utility funds. Because the debt service is directly paid by the utility, such debt is considered self-liquidating and generally does not constitute a debt obligation of the issuer under the State of Kansas' debt limit criteria.

The City of Fort Scott's utility Revenue Bonds are payable solely from the Utility Enterprise Funds and are not secured by any pledge of ad valorem taxes or general fund revenues of the City. In accordance with the agreed upon bond covenants, the revenues generated by these Enterprise Funds must be sufficient to maintain required coverage levels, or the rates of the enterprise have to be raised to maintain the revenue coverages. Revenue Bonds are issued under the authority and pursuant to the Constitution and laws of the State of Kansas, including the provisions of K.S.A. 10-1201 et seq., Article 12, Section 5 of the Constitution.

**Temporary Notes:** Temporary Notes are short-term interest-bearing bonds issued in the anticipation of long-term future bond issuances. The City may choose to issue temporary notes or draw bonds as a source of interim financing when it is considered by the Finance Director to be prudent and advantageous to the

City. Such bonds are issued pursuant to K.S.A. 10-101 et seq., K.S.A. 10-620 et seq., and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, for the purpose of paying a portion of the cost of certain street, sewer, public utility, and other public improvement projects. Adoption of a bond resolution by the City Commission is required for the issuance of temporary notes and draw bonds. State statute limits the interim financing period for individual capital projects financed with the note proceeds to four years.

**Lease Purchase Financings:** The equipment and vehicle financing program provides a mechanism for the short-term financing of essential equipment through a lease-purchase mechanism. The lease purchase terms are typically three to ten years. Under this program, the City enters into a master lease agreement with a lessor to finance the lease purchase of essential equipment up to a certain amount. Equipment is funded on an as needed basis under this master lease agreement. The City may enter into other standalone operating leases and lease purchase agreements on an as-needed basis.

**State and Federal Loans:** State and federal loan proceeds are an important source of funds for capital projects in addition to the bond proceeds. State Revolving Funds (SRFs) and the Water Infrastructure Finance and Innovation Act (WIFIA) program make low cost loans available to local agencies to fund certain public infrastructure projects. Through these programs, various state and federal agencies offer local agencies loans to fund qualifying public infrastructure projects. Commission approval is required to apply for these loans.

**Special Districts Financing:** The special districts primarily consist of Community Improvement Districts (CID), Transportation Development Districts (TDD), Tax Increment Financing (TIF) and Sales Tax and Revenue Districts (STAR). Special Districts are typically developer initiated, whereby a developer seeks a public financing mechanism to fund public infrastructure required by the City in connection with development permits or agreements, and/or tentative subdivision maps. Special District formation may also be initiated by an established community. Subject to approvals dictated by State statute, once a district is formed special taxes or assessments may be levied upon properties within the district to pay for facilities and services directly, or to repay bonds issued to finance public improvements.

The City will consider requests for Special District formation and debt issuance when such requests address a public need or provide a public benefit. Each application will be considered on a case by case basis, and the Finance Director may not recommend a financing if it is determined that the financing could be detrimental to the debt position or the best interests of the City.

**Industrial Revenue Bonds:** Industrial Revenue Bonds (IRBs) are tax-exempt private activity bonds that provide manufacturing and processing companies financing for capital expenditures. Industrial Revenue Bonds are not an obligation of the City and are considered conduit debt. While the authorization to issue IRBs is provided by K.S.A. 12-1740 et seq, the tax-exempt status of these bonds is derived from federal law (Internal Revenue Code Section 103(b) (2)). Under state law, IRBs are issued by a local government agency, which can be a city, county, or a joint powers authority. Since IRBs are tax-exempt municipal bonds, interest rates are substantially lower than commercial financing rates. The bonds also allow long-term amortization periods up to 30 years (depending on the useful life of the assets financed), so a growing company will also devote less cash-flow to service loan principal repayment. The City typically issues IRBs in order to exempt industries from paying property taxes or sales and use tax on building materials. IRB's require a governmental Debt Policy entity (the City of Fort Scott) to act as the "Issuer" of the bonds, who will hold an ownership interest in the property for as long as the IRBs are outstanding.

Subject	Section	Policy	Effective Date	Revision Date
Debt Management	II	201		

## Use of debt financing

Debt financing should be considered for capital improvement projects and major equipment purchases, and only under one or more of the following circumstances:

- (1) When the project is included in the city's five-year capital improvement program (CIP)
- (2) When the project involves acquisition of equipment (or a related group of equipment such as police vehicles) with a value of at least \$100,000
- (3) When the project is the result of growth-related activities within the community that require infrastructure or capital improvements by the city
- (4) When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing
- (5) When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost sharing revenues.

The following criteria will be used to evaluate pay-as-you-go versus debt financing in funding capital improvements:

*Factors which favor pay-as-you-go financing include circumstances where:*

- The project can be adequately funded from available current revenues and fund balances while maintaining reserves in accordance with the fund balance policy,
- The project can be completed in an acceptable timeframe given the available revenues,
- Additional debt levels could adversely affect the City's credit rating or repayment sources,
- Market conditions are unstable or suggest difficulties in marketing a debt obligation; or
- When it does not increase the costs of the project.

*Factors which favor long-term debt financing include circumstances where:*

- Revenues available for debt issues are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating, which can be maintained,
- The nature and lifespan of the improvement are such that multiple generations of residents will benefit from its construction,
- Market conditions – including both interest rates and the cost of construction – are favorable for debt financing,
- A project is mandated by state or federal government and current revenues or fund balances are insufficient to pay project costs,
- A project is immediately required to meet or relieve capacity needs and existing unprogrammed cash reserves are insufficient to pay project costs; or
- The life of the project or asset financed is five years or longer.

## Maximum amounts of debt financing

Given the significant restrictions on local agency revenue sources, the City is aware of the need to gauge the effect of ongoing debt service and other fixed obligations on its budgets and fiscal priorities over time. To provide a debt affordability plan and keep debt levels within acceptable ranges, the City will consider generally accepted debt affordability standards in evaluating when, why, and how much debt should be

incurred. Debt ratio guidelines discussed in sections A and B below pertain only to the City's long-term general fund debt supported by tax levy or General Funds, and coverage ratios in section C pertain to revenue bonds such as those issued by the City's utilities.

- A. General Obligation Bonds are secured either by a pledge of full faith and credit of an issuer or by a promise to levy taxes in an unlimited amount as necessary to pay debt service, or both. Generally accepted measures of assessing the impact of general obligation bonds include:
- Debt per capita: This is the outstanding principal as a percentage of Fort Scott's population.
  - Debt as a percent of assessed valuation: This is the outstanding principal as a percentage of Fort Scott's assessed valuation (excluding motor vehicle valuation).

This measure excludes general obligation bonds issued for utility fund capital projects. Included in the "debt" classification will be the estimated portion of temporary notes. The City shall monitor and strive to achieve and/or maintain these debt statistics at a low to moderate classification, as generally viewed by the municipal bond market.

- B. An important ratio used in analyzing the City's debt position with respect to General Fund supported debt securities is the required annual debt service/lease payment as a percentage of total general fund expenditures ("Debt Ratio"). This analysis includes the annual debt service/lease payment for all long-term fixed obligations of the City backed by the City General Fund. The City shall strive to maintain this Debt Ratio below 20% of total General Fund expenditures.
- C. In addition to the City's direct debt (General Obligation bonds and other General Fund Supported debt), debt levels of underlying and overlapping entities overall debt burden. The City's proportional share of the debt of other local governmental units which either overlap it or underlie it is called overlapping debt. Overlapping debt is generally apportioned based upon relative assessed value. While the City does not control debt issuance by other entities, it recognizes that its taxpayers share the overall debt burden. The City will continue to work with other jurisdictions in coordinating capital projects to lessen the overall debt burden.
- D. Coverage Ratios for Revenue Bonds long-term obligations payable solely from specific pledged sources are not subject to a debt limitation. Examples of such long-term obligations include those which achieve the financing or refinancing of projects provided by the issuance of debt instruments that are payable from restricted revenues, charges for services or user fees (enterprise funds) and revenues generated from a project. The coverage ratio, which is the ratio of available annual revenues to annual debt service, is one of the primary indicators of the ability of an enterprise to meet its annual operating expenses and debt service payments. Generally, legal covenants requiring a minimum coverage ratio are set forth in the revenue bond documents and are based on the level of security provided to the bondholders (of the senior or subordinate debt obligations). General obligation bonds issued by the City on behalf of its wastewater and water utilities also are required to meet established minimum debt coverage ratios. Rate covenants for the bonds and loans will require a rate increase if coverage ratios are expected to fall below the legal coverage levels.
- E. State and Federal loans may also have certain coverage ratio requirements for enterprise funds which are pledged as revenue sources for repayment of the loan. These coverage ratio requirements are set forth in the financing agreements which are executed between the City and state or federal agency for each project.



The City will also evaluate appropriate affordable target coverage levels (i.e., financial coverage ratios), for the outstanding bonds and new debt issue planning when conducting cost of service studies, which are undertaken periodically for the enterprises.

Subject	Section	Policy	Effective Date	Revision Date
Debt Management	II	202		

## Debt structure

### Security

The security for new debt issuance — general obligation, revenue bonds or lease purchases will be selected taking into consideration a number of factors including, but not limited to:

- Referendum requirements
- Nature of revenue sources available to pay debt service
- Projected interest costs
- Anticipated costs of issuance as a percentage of the amount to be borrowed
- Impact on the City's statutory general obligation bond debt limit
- Likelihood of obtaining an investment grade rating
- Current market conditions

City staff will weigh these factors in discussion with the City's bond counsel and financial advisor before presenting a recommendation to the City Commission.

### Amortization

Debt obligations will be amortized for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users of the asset financed. Debt issuance will be structured to achieve the lowest possible net interest cost to the city given market conditions, the urgency of the capital project, and the nature and type of any security provided. The useful life of the asset or project shall meet or exceed the term of any debt the city assumes.

Debt will be amortized on an equal annual debt service basis to the extent practical. When applicable, debt service may be amortized in a manner which tailors the debt service to the forecasted revenues generated by the asset to be financed. Debt service structures which greatly accelerate redemption of principal or which delay redemption of principal shall be closely scrutinized to evaluate their impact on the City's flexibility to fund future projects and improvements. The City normally shall issue bonds with a maximum life of 20 years or less for general obligation bonds, 30 years or less for revenue bonds, and 15 years or less for special assessment bonds.

### Credit enhancements

Credit enhancements, such as bond credit ratings, bond insurance and letters of credit, shall be evaluated for each debt issuance. The decision to include a credit enhancement in a debt issuance structure shall be primarily based on its cost-effectiveness. The long-term cost and complexity of administration shall also be considered.

## Redemption Features

Optional call features which allow the city to redeem bonds prior to maturity shall generally be structured in a way which does not increase interest costs. However, short optional calls which inflate interest costs may be considered for unique circumstances, such as in periods of unusually high interest rates. Extraordinary call features which allow the city to redeem the bonds at any time typically increase the cost of borrowing and, therefore, shall be used only when clearly necessary. Unless specific compelling reasons exist, all bonds shall be callable only at par.

## Capitalized Interest

Debt obligations may permit borrowing of money to pay interest (capitalized interest). However, the use of capitalized interest shall only be for revenue producing assets, and only for the time before the revenue stream from the asset becomes available. For property tax supported bonds, a nominal amount of capitalized interest (12 months or less) may be permitted to bridge the period between bond issuance and imposition of a property tax levy to fund bond debt service.

## Variable Rate Debt and Derivatives

The city will exercise extreme caution in the issuance and sale of variable rate and derivative instruments and will consider their utilization only when sufficient understanding of the products and sufficient expertise for their appropriate use has been developed.

Subject	Section	Policy	Effective Date	Revision Date
Debt Management	II	203		

## Debt Administration and Financing

### Financing proposals

Any capital financing proposal of a city department involving the pledge or other extension of the City's credit through sale of bonds, execution of loans or leases, or otherwise involving directly or indirectly the lending or pledging of the City's credit, shall be referred to the City Manager and Finance Director for review before such pledge is considered by the Governing Body.

### Bond & interest fund

All payments of general obligation bonds and special assessment bonds shall be from the City's bond & interest fund. The annual budget for the bond & interest fund shall be at a level equal to or greater than the total annual principal and interest payable from the fund for the budget year. In addition, enterprise funds will be transferred from the related fund to cover general obligation bonds, revenue bonds, state loans or lease purchases for the specific enterprise fund debt service into the Bond and Interest Fund. Furthermore, the fund balance will be managed to eliminate or minimize arbitrage rebate liability.

## **Bond counsel**

The City will utilize external bond counsel for all bond and temporary note debt issues. All debts issued by the city will include a written opinion by bond counsel affirming that the City is authorized to issue the debt, stating that the City has met all federal and state constitutional and statutory requirements necessary for issuance, and determining the federal income tax status of the debt.

## **Underwriter's Counsel**

City payments for underwriter's counsel will be authorized for negotiated sales by the Finance Director on a case-by-case basis depending on the nature and complexity of the transaction and the needs expressed by the underwriters.

## **Financial Advisor**

The City will retain an external financial advisor. The utilization of the financial advisor for each debt issuance will be at the discretion of the Finance Director on a case by case basis. For each City bond sale, the financial advisor will provide the city with information on pricing and underwriting fees for comparable sales by other issuers.

## **Temporary Notes**

Use of short-term borrowing, such as temporary notes, will be undertaken only if the transaction costs plus interest on a debt are less than the cost of internal financing, or available cash or reserves are insufficient to meet both project needs and current obligations.

## **Lease/purchase agreements**

The use of lease/purchase agreements in the acquisition of vehicles, equipment and other capital assets shall be considered carefully relative to any other financing option or a "pay-as-you-go" basis.

## **Method of sale**

The City, as a matter of policy, shall seek to issue its debt obligations through a competitive sale unless it is determined by city staff, in consultation with the city's financial advisor, that such a sale method will not produce the best results for the city. In such instances where the City, through a competitive bidding for its bonds, deems the bids received as unsatisfactory or does not receive bids, it may, at the election of the City Manager, enter into negotiation for sale of the bonds. Where a negotiated sale process is determined to be in the best interests of the City, the City will use a competitive process to select its investment banking team.

## **Refunding of Debt**

Periodic reviews of all outstanding debts will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if there is a net economic benefit of the refunding or the refunding is essential to modernize covenants essential to operations and

management.

City staff and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debts. Refunding will be evaluated based upon the amount of savings relative to the cost of issuance. As a general rule, advance refunding will be undertaken only if the present value savings will exceed 3% of the refunded principal.

Refunding issues that produce a net present value savings of less than targeted amounts may be considered on a case-by-case basis. Refunding issues with negative savings will not be considered unless a compelling public policy objective is served by the refunding.

## **Arbitrage Liability Management**

It is the city's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the law. Federal arbitrage legislation is intended to discourage entities from issuing tax-exempt obligations unnecessarily. In compliance with the spirit of this legislation, the City will not issue obligations except for identifiable projects with very good prospects of timely initiation. Temporary notes and subsequent long-term bonds will be issued timely as project contracts are awarded so that debt issues will be spent quickly.

Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the advice of bond counsel and other qualified experts will be sought whenever questions about arbitrage rebate regulations arise.

## **Credit Ratings**

The City Manager and Finance Director shall be responsible for maintaining relationships with the rating agencies that currently assign ratings to the city's various debts. This effort shall include providing periodic updates on the city's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.

The City Manager and Finance Director shall be responsible for determining whether a rating shall be requested on an issuance and which of the major rating agencies shall be asked to provide such a rating.

Full disclosure of operations and open lines of communication shall be provided to rating agencies used by the City. The Finance Director with assistance of the city's financial advisor, shall prepare the necessary materials and presentation to the rating agencies.

The City is committed to full and complete primary and secondary financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, city departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The City will meet secondary disclosure requirements on a timely and comprehensive basis.

The cities bond counsel will prepare official statements accompanying debt issuances and continuous disclosure statements meeting all federal and state accounting guidelines. The Finance Director shall be responsible for working with bond counsel to ensure ongoing disclosure on the municipal securities

rulemaking boards electronic municipal market access system and for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies.

Subject	Section	Policy	Effective Date	Revision Date
Debt Management	II	204		

## ENFORCEMENT

The City Manager is responsible for enforcement of this administrative policy.

Subject	Section	Policy	Effective Date	Revision Date
Non-Recurring Revenue	III	300		

## Purpose

The purpose of this administrative policy is to prohibit the use of non-recurring revenues, also known as one-time revenues, for recurring expenditures, also known as operational expenditures.

## Fundamental principles

By definition, non-recurring revenues cannot be relied on in future budget periods. Such revenues can introduce significant instability in the city's ability to provide services, particularly if they are used as a means of funding ongoing programs or services. A policy on the use of one-time revenues provides guidance to minimize disruptive effects on services due to non-recurrence of these sources.

## Application

This policy applies to all non-recurring revenues and shall be incorporated into both the development and implementation of operating and capital budgets for the city.

## Policy

Non-recurring revenues shall only be utilized as a funding source of one-time, non-recurring expenditures.

Examples of one-time revenues include but are not limited to:

- infrequent sales of assets,
- bond refunding savings,
- infrequent revenues from development,
- grant funding, and settlement monies. These revenues may be available for more than one year (e.g., a three-year grant), but are expected to be non-recurring.

Examples of expenditures for which the city may wish to use non-recurring revenues include:

- startup costs,
- stabilization (e.g., to cover expenditures that temporarily exceed revenues),
- early debt retirement,
- capital purchases,
- capital improvement projects, and programs or projects that, though they may span several budget years, are not expected or intended to be permanent or long-term programs.

Uses that significantly add to the costs of ongoing operations should be carefully reviewed and minimized, e.g., capital expenditures that significantly increase ongoing operations without a sustainable and offsetting long-term revenue plan.

Non-recurring revenues may also be appropriate for use in building or enhancing reserve fund balances, provided however that such reserve fund balances shall not later be used to fund recurring expenses.

## ENFORCEMENT

The City Manager has designated the Finance Director with the responsibility for enforcement of this administrative policy. Department heads will be entrusted with the responsibility of enforcing the policy within their departments.

Subject	Section	Policy	Effective Date	Revision Date
Procurement Policy	IV	400		

## Purpose

The purpose of this administrative policy is to define procurement procedures for each city department to follow based on the type of good or service being acquired and to set forth the process for disposing of city assets.

*Fundamental principles.* Generally, a good or service should be obtained at the lowest cost, consistent with the quality and service required to maintain efficient operations of city departments. The quantity of goods purchased is determined through an examination of factors such as the number of units to be used, the period of use, space available, acquisition price, volume discounts, shipping time, obsolescence, and present and expected future availability of an item.

*Acquisition of goods and services.* The acquisition of goods and services by or on behalf of the City of Fort Scott should be made in a manner and method which provides for the prudent expenditure of city funds; provides for maximum protection of taxpayers; prevents waste, conflict, and impropriety; provides for equal access and opportunity in an open and competitive environment to all suppliers, with regard to factors related to quality, cost and availability of the goods and services; and which comply with all applicable federal, state and local laws, rules and regulations.

*Self-imposed constraints.* Even though the City Commission approves a level of expenditures for any given department, that approval, in and of itself, is neither a permit nor a directive to expend funds unless the need exists at the time of purchase and the good or service to be purchased is within the budget limits.

*Familiarity with policy.* All personnel of the city responsible for purchases shall become familiar with and follow the city's policies and procedures as they relate to purchasing. Supervisors shall be cognizant of their respective budget limitations and initiate purchases accordingly. It is the responsibility of the individual departments to anticipate requirements and initiate action to purchase goods and services in advance of the time they are needed.

## Application

This policy applies to all purchases and contracts entered by the city. It shall apply to every expenditure of public funds for supplies and materials by a department for public purchasing irrespective of the source of the funds. If city staff or resources are used in any manner, this policy shall apply. When the purchase involves the expenditure of federal or state assistance or contract funds, the purchase shall be conducted in accordance with any mandatory applicable federal and/or state laws and regulations. Nothing in this policy shall prevent any department from complying with the terms and conditions of any grant, gift or bequest that is otherwise consistent with law.

## Public Access to Purchasing Information

Purchasing information shall be a public record to the extent provided by state statute and shall be available to the public as provided in such statute.



Subject	Section	Policy	Effective Date	Revision Date
Procurement Policy	IV	401		

## Purchasing Procedures

### Purchasing Authority and Approval Table

The following table shows who has the authority to make purchases for their department or division

Amount of Purchase	Authority for Purchase	Purchase Methods	Exceptions	PO Required	Authority for Payment
\$1-\$500	Director or Supervisor	Direct purchase & cost comparisons completed or use vendor rotation; prices should be competitive		No	Department Director or Supervisor
\$501-\$1,000	Director	2 verbal quotes	Recurring expenses, sole source supplier; Emergency - Finance Director approval	Yes	Director
\$1,001-\$4,999	Director & Finance Director or City Manager	3 written quotes	Recurring expenses, sole source supplier; Emergency - Finance Director approval	Yes	Director & Finance Director or City Manager
\$5,000-\$9,999	Finance Director & City Manager	3 written quotes	Recurring expenses, sole source supplier; Emergency - City Manager approval	Yes	City Manager or Finance Director
\$10,000 or more	City Commission	Advertised sealed bid or proposal invitations	Emergency requires City Manager approval	Yes	City Manager or Finance Director

#### ***Purchases less than \$500.***

Purchases of less than \$500 can be made by employees with approval by the department supervisor or department director. No purchase order is required, but invoices will be turned in promptly to the finance department with the department director or supervisor's signature. City employees will make every effort to purchase locally and the price should be competitive. To minimize time and provide fair opportunities, local vendors with similar interests will be put on a rotation basis for day to day purchases.

#### ***Purchases from \$501 to \$1,000.***

Purchases of at least \$501 but less than \$1,000 may be made by the department director. These purchases require the department to obtain at least two (2) competitive telephone, fax, email and/or informal written quotes unless circumstances prohibit.

#### ***Purchases of \$1,001 to \$4,999***

Purchases of at least \$1,001 but less than \$4,999 may be made by the department director with the Finance Director or City Manager's approval. These purchases require the department to obtain at least three (3) competitive fax, email and/or informal written quotes.

#### ***Purchases of \$5,000 to \$9,999.***

Purchases of at least \$5,000 but less than \$9,999 may be made by the department head with the Finance Director & City Manager's approval. These purchases require the department to obtain at least three (3) competitive fax, email, and/or informal written quotes.

## ***Purchases of \$10,000 or more.***

Purchases of at least \$10,000 or more will be awarded by advertised formal competitive sealed bid or requests for proposals and shall be approved by the City Commission. The City Manager may authorize purchases at this level without City Commission approval in emergency situations only.

*Invitations for bids.* An invitation for bids by the City Clerk shall be issued and shall include specifications and contractual terms and conditions applicable to the purchase or service. Criteria for evaluation shall be set forth in the invitation for bids.

*Public notice.* Adequate public notice of the invitation for bids shall be given for a reasonable time, no less than ten calendar days prior to the date set forth therein for the opening of bids. Such notice shall include publication in the official newspaper of general circulation within the community, appropriate trade journals or publications and/or posted on the city's website to allow adequate time for bid preparation.

*Bid requirements.* The bid documents shall include:

- (1) A description of the work to be performed or the product to be purchased
- (2) The location where copies of plans, specifications, and other contract documents may be examined
- (3) The time and place where bids will be received and time and place where bids will be opened
- (4) A statement detailing the evaluation criteria to be used for bid acceptance and evaluation
- (5) A statement that the city reserves the right to reject any or all bids and to waive any informalities or irregularities therein
- (6) A statement that the City Manager may require that no bidder may withdraw a bid for a period of up to forty-five (45) days after the date and hour set for opening bids, but that a bid may be withdrawn up to twenty-four (24) hours prior to expiration of the deadline for submitted bids
- (7) A statement setting forth requirements for bid and performance, labor, materials, bonds, product liability coverage warranty and worker's compensation insurance.

Each bid submitted to the city shall be signed, enclosed in a sealed envelope and filed as stated in the advertisement for the bid. Fax or emailed bids will be accepted. The City Manager may waive technical irregularities in the bid requirements in this purchasing policy, or in the advertisement of the bids, if the City Manager finds that such waiver does not compromise the integrity of the bidding process.

*Late bids.* Bids not submitted by the required deadline are ineligible for consideration and will not be opened.

*Bid openings.* Bids shall be opened publicly in the presence of one or more witnesses at the time and place designated in the invitation for bids. The amount of each bid, and such relevant information as the City Clerk deems appropriate, together with the name of each bidder, shall be recorded on the bid tab provided by the department or consultant. The record and each bid shall be open to public inspection. In the event of good cause, as determined by the City Clerk, bid openings may be postponed.

*Bid acceptance and bid evaluation.* Bids shall be unconditionally accepted without alteration or correction, except as authorized in this policy. Bids shall be evaluated based on the requirements set forth in the invitation for bids, which may include criteria to determine acceptability such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose. Those criteria that will affect the bid price and be considered in evaluation for award shall be objectively measurable, such as

discounts, transportation, and delivery costs, and total or life cycle costs. The invitation for bids shall set forth the evaluation criteria to be used. No criteria may be used in bid evaluations that are not set forth in the invitation for bids.

*Correction or withdrawal of bids; cancellation of awards.* Correction or withdrawal of inadvertently erroneous bids before or after bid opening, or cancellation of awards or contracts based on such bid mistakes, may be permitted where appropriate. Mistakes discovered before bid opening may be modified or withdrawn by written notice received in the office designated in the invitation for bids prior to the time set for bid opening. After bid opening, the following provisions shall apply:

- A low bidder alleging a material mistake of fact may be permitted to correct its bid, if
  - the mistake is clearly evident on the face of the bid document and the intended correct bid is similarly evident, or
  - if the mistake is not clearly evident on the face of the bid but the bidder submits evidence which clearly and convincingly demonstrates that a mistake was made, in which case the bidder must show the nature of the mistake and the bid price actually intended.

No changes in bid prices or other provisions of bids prejudicial to the interests of the City or fair competition shall be permitted. All decisions to permit the correction or withdrawal of bids, or to cancel awards or contracts based on bid mistakes, shall be supported by a written determination made by the City Manager.

*Award.* The bid shall be awarded with reasonable promptness by written notice to the bidder whose bid meets the lowest and best requirements and criteria set forth in the invitation for bids, subject to the right of the City to reject all bids. Award contracts of \$10,000 and above shall be forwarded to the City Commission for approval and execution of the contract.

Projects for construction or other public works projects shall be in accordance with K.S.A 13-1017.

## **Changes in Scope of Work**

A change in scope of work is considered a modification or amendment that alters the project from what was originally envisioned. Except as noted below, any modification or amendment of an existing contract's scope of work that increases the total compensation must be approved by the City Commission prior to work commencing. Changes in scope that do not cause the total contract amount to exceed \$9,999 may be executed by the City Manager.

In certain limited emergency situations, the City Manager shall be given the authority to execute an emergency change of scope. The City Manager shall only execute the emergency change of scope if the work qualifies as an "emergency" and the overall project budget is not exceeded. The emergency change of scope supplemental agreement will be submitted to the City Commission for ratification at the next available business meeting.

## **Change Orders**

A change order is considered a change in the time and/or price of a contract. A change order is an amendment to the contract. The contract amendment should contain the changes in timeframe and/or in cost and must go to the City Commission for approval. Except as noted below, any change order that increases the total contract amount greater than \$9,999 must be approved by the City Commission prior to work commencing. Change orders in an amount less than \$9,999 may be executed by the City Manager.

and submitted to the City Commission for ratification. In the event a series of change orders on a single contract accumulates to an amount more than \$9,999, all subsequent change orders, regardless of amount, must go to the City Commission for approval prior to work commencing.

In certain limited emergency situations or due to the stage of construction in progress or to prevent a lengthy delay in a project, the department head, with the approval of the City Manager, and with notification to the City Commission, can authorize a change order in an amount not to exceed \$9,999. The City Manager shall only execute an emergency change order if the work qualifies as an "emergency" and does not exceed \$9,999 or the overall project budget, whichever is less. After authorizing the change order, the change order is prepared and submitted to the City Commission for ratification. These change orders may involve such issues as cost changes and extensions of time.

Exception. Notwithstanding the above, any change order resulting in a decrease of any amount related to any construction, reconstruction, of a project for the city may be approved by the City Manager without further action by the City Commission. The City Manager will notify the City Commission of the credit taken at the next regular business meeting.

## **Cooperative and State Contracts**

It is sometimes beneficial to group the city's requirements with the like requirements of other cities, counties, or agencies. This results in lower costs to all parties while maintaining the integrity of each entity's bidding requirements.

The State of Kansas bids many common requirements and makes the award results available to any governmental agency. State bid awards enable government agencies to purchase goods and services at a reduced price due to quantity discounts and do not require the bidding process by individual agencies. State bids are considered to meet the sealed bid requirements.

The city may contract directly with other governmental entities for the purchase of items. The city may also participate in, sponsor, conduct or administer a cooperative purchasing agreement whereby items are procured in accordance with a contract established by another governmental entity provided that such contract was established in accordance with the laws and regulations applicable to the establishing governmental entity. These cooperative purchasing agreements shall be presented to the City Commission to gain approval to participate in the cooperative contract.

Additional commission approval shall not be required for the purchase of any budgeted items from purchasing agreements established by governmental entities with which commission has previously approved participation. Commission approval will be required for the purchase of unbudgeted items more than \$10,000 regardless of whether the commission has approved participation with the governmental entity. Specific unbudgeted items less than \$10,000 may be purchased through an approved cooperative purchasing program provided an alternative funding source within the respective department's budget is identified in writing to the Finance Director and City Manager.

## **Term and Supply Contracts**

Term and supply contracts shall be bid following the same procedures established by this policy for other purchases based upon estimated value of contract. Supplies and Services identified serving the City to

provide a cost savings advantage will be bid every three (3) years at a minimum to provide transparency and no partiality to any one vendor. Examples of term and supply contracts would be janitorial services, pest control, fuel, bulk order supplies, etc. In the instance of multiple year contracts, commission approval is not required for the renewal periods when the requested price increase does not exceed the renewal period increase established in the original contract. All multiple year contracts shall contain the non-appropriation clause. This states that the contractor understands the obligation of the city to pay for goods and/or services under the contract is limited to payment from available revenues and shall constitute a current expense of the city. It shall not in any way be construed to be a debt of the city in violation of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the city nor shall anything contained in the contract constitute a pledge of the general tax revenues, funds or moneys of the city. All provisions of the contract shall be interpreted so as to give effect to such intent.

Payment of recurring services may be authorized without a recurring purchase order or requisition. Such services include, gas, electricity, telephone, postage, or any other services for which payment is made on a recurring basis, over an extended period of time.

The Finance Director is allowed to authorize payment for contracts that provide price breaks for paying early or if a penalty will be assessed before the City Commission is able to meet at a regularly scheduled meeting.

## Professional Services

Contracts for professional services such as engineering, architectural, consulting, and other specialized or technical services shall be obtained through the following process:

- (1) the department head shall prepare a scope of services to determine the format to be used, identify any special requirements, outline a timeline for the project, estimate costs, define roles, and identify potential respondents.
- (2) Based on the scope of services, the department head shall prepare a request for proposal or request for qualifications, as applicable, designed to ascertain the vendor qualifications, and obtain brochures and any other information which may be used by the selection committee during their evaluation of the proposals.
- (3) A selection committee shall be established by the department head or his/her designee to review the proposals and rate each firm according to the evaluation criteria established in the request for proposal/qualifications. The committee must include staff members from more than one city department. However, in the event the estimated cost of the scope of services in the request for proposal/qualification exceeds \$9,999, the applicable department head shall serve on the selection committee for that proposal evaluation.
- (4) A two-step process will be used whereby the selection committee will first rate each proposal received on criteria established in the request for proposals/qualifications. The composite score of the committee will be used to determine the top-rated firms, which may be interviewed. If interviews are conducted, the firms are rated after the interviews and a second composite score recorded.
- (5) Immediately following each of the two steps in the process, committee members shall individually rate the firms and submit their rating sheets to the department head or his/her designee. The department head or his/her designee will then begin negotiations with the firm receiving the highest score.
- (6) The department head or his/her designee shall prepare a recommendation of award for City Commission approval.
- (7) Upon approval of the City Manager, professional services under \$9,999 may be exempt from the



request for proposal and competitive bidding process.

## Construction Contracts

Construction contracts shall be bid in accordance with the procedures established for other purchases by this policy according to applicable price range.

Construction contracts, supervised by outside consulting services, shall be bid in coordination with the Department Director and City Engineer. The City Engineer should perform as many services as qualified to complete in order to reduce costs for the City. A bid package shall be reviewed and approved by the Department Director and City Engineer. Construction contracts may be prepared by the consultant or City Engineer and distributed to potential bidders. The consultant or City Engineer will schedule a bid opening with the City Clerk where bids will be opened publicly in the presence of one or more witnesses at the time and place designated in the bid package. The amount of each bid, and such relevant information as the City Clerk deems appropriate, together with the name of each bidder, shall be recorded. The record and each bid shall be open to public inspection. The final award of the bid shall be communicated to the successful bidder by the department director or his/her designee. In the event the City does not employ a City Engineer, the City Manager will be responsible for assigning or hiring a third party to complete tasks that would normally be completed or reviewed by the City Engineer.

## Contract Administration

A contract administration system shall be maintained by the City Engineer, department director, or consultant designed to ensure that a contractor is performing in accordance with the solicitation, terms and conditions under which the contract was awarded.

## Sole Source Purchases

A contract may be awarded, or a purchase made without competition when, after conducting a good faith review of available sources, it is determined there is only one source for the required product.

Circumstances that require a sole source purchase may include, but are not limited to:

- No competitive product or availability from only one supplier
- The purchase of a component or replacement part for which there is no commercially available product, and which can be obtained only from the manufacturer
- The purchase of an item where compatibility is the overriding consideration, such as to maintain standardization or compatibility, or to match materials already in use to produce visual harmony
- When supplies or services are available at a discount from a single distributor for a limited period
- When a specialized consultant or technical services is needed for a project with specific circumstances requiring a unique combination of abilities or expertise to perform the services required
- The purchase of a used item
- The purchase of a product for trial or testing

Sole source can refer to the supplier, as well as a product or service. Thus, the ability to meet a delivery date or to provide on-call repairs can create a sole supplier condition. Justification for a sole source purchase depends on a needed item being available from only a single supplier under the prevailing conditions. If the

item may be obtained from more than one source, price competition shall be solicited.

Manufacturer's names in bids are to be used only when it is necessary to obtain comparable parts or products relative to the City's current use. Whenever this method is used, it shall be understood that this is a reference for the purpose of establishing a standard and that equal and comparable items are acceptable if they satisfy the City in terms of quality and interchangeability, where applicable.

## Emergency Purchases

An emergency condition exists when there is a threat to public health, welfare, or safety such as may arise by reason of floods, epidemics, riots, equipment failure, or when immediate response is necessary to prevent further damage to public property, machinery or equipment; or when delay would result in significant financial impacts to the City or significant interruption to the project schedule as determined by the department head and City Manager. The condition must create an immediate and serious need for supplies, equipment, materials, and/or services that cannot be met through normal procurement methods and the lack of which would threaten the function of the city government or its programs. The City Manager shall only execute an emergency purchase if the work qualifies as an "emergency".

Any department may make emergency purchases, however with as much competition as is possible under the circumstances. Purchases shall be limited to only the quantity necessary to meet the emergency, and in no event shall the contract price exceed commercially reasonable prices.

Subject	Section	Policy	Effective Date	Revision Date
Procurement Policy	IV	402		

## General Instructions

### Shop Local

Local vendors shall receive preference in the amount up to seven percent (7%) but no more than \$3,000.

Local preference applies to businesses in the following order:

- (1) those within City of Fort Scott corporate limits
- (2) those located within Bourbon County
- (3) those located within the State of Kansas

Goods and services purchased by the City should be purchased from local merchants and businesses, unless:

- (1) Such goods of like quality and services are not immediately available locally; or
- (2) The cost of such goods or services plus shipping and handling exceeds that allowed by the local preference limits; or
- (3) Federal/state funds or other funds are used that prohibit the application of the preference; or
- (4) The business entity has any outstanding liens, fines or violations or other debts with the City of Fort Scott.

## Specifications

It is the responsibility of the department to write their specification and establish the quality of the product

or service required. Specifications shall be written to require competition at the manufacturer's level when possible. Use of a brand name specification shall include the designation "or an approved alternate". A "no substitute" request must be justified by the department as to why no other brand will meet the need.

## **Multiple Purchases**

Making multiple purchases for the purpose of avoiding the bidding process shall not be permitted and shall be considered a violation of this policy.

## **Unauthorized Purchases**

The purchase of an item must be made in accordance with the purchasing policy and procedures. Any purchase of item, which does not comply with these procedures shall be considered an unauthorized purchase. Whenever funds have been expended or payment cannot be avoided on an unauthorized purchase, anyone may report the matter in writing to the department head or the City Manager for action. Said action may include discipline in accordance with the city's disciplinary policies.

## **Minimum Insurance and Bonding Requirements for Contract Awards**

Contract awards shall be made only to contractors that possess the ability to perform successfully under the terms and conditions of a proposed procurement. Contracts awarded shall include the following guarantees, except when an exemption is provided:

- A performance bond on the part of the contractor for 100% of the contract price for any contract exceeding the sum of \$20,000.
- All construction contractors and subcontractors are to carry workman's compensation insurance for all employees who work on the premises, as well as:
- Manufacturer's and contractor's public liability insurance as appropriate for the project (minimum requirement - \$1,000,000)
- Property damage insurance to protect them from claims for property damage. (minimum requirement - \$1,000,000)
- Any additional insurance required by the laws of the State of Kansas.

If any subcontracting is let, prime contractors will be required to ensure the subcontractors comply with the provisions of this plan and with all applicable required federal and state regulations. All subcontractors must be licensed through the City and provide evidence of insurance if applicable. Any insurance requirements required for state and/or federal funds are also incorporated into this document by reference and will be adhered to on such projects.

All proof of insurance and bond documents shall be provided to the City Clerk prior to the contractor beginning work on any city project.

## **City Attorney Review of Agreements**

All rental, lease agreements or contracts for goods and services must be reviewed by the City Attorney and be authorized by the City Manager. A copy of all sale, rental, lease agreements or contract requiring payment must also be forwarded to the Finance Director for processing at least thirty (30) days prior to the due date of the first payment. A schedule noting the expiration dates of rental, lease agreements or contracts



will be kept by the City Clerk.

## **Municipal Tax Exemption**

The city is tax exempt as a political subdivision under section 4221(b) of the IRS code and K.S.A 79-3606, except for personal property used in a business setting. Department directors are responsible for notifying accounts payable to send the latest tax-exempt certificate to the appropriate vendor prior to every purchase. When sealed bid projects are released the City Clerk will be responsible for applying for a project exemption certificate on behalf of the contractor before the project lets in order to realize sales tax relief.

## **Non-Appropriation Clause**

Kansas law (K.S.A. 10-1101 et seq.) requires the City to operate on a cash basis. Except as otherwise provided by law, it is unlawful for the city to create any indebtedness exceeding the amount of funds actually on hand for such purpose. Any contract that would create financial obligations to the City beyond the current, fiscal year must include provisions for non-appropriation of funds, such as the following: the city's financial obligations contained herein are subject to annual appropriations of funding in the municipal budget during each calendar year the agreement remains in effect. The City shall make a good faith effort to fund said financial obligations on an annual basis. If the City determines not to do so, the agreement shall be cancelled as of the date of non-appropriation, without penalty or additional liability to either party.

Subject	Section	Policy	Effective Date	Revision Date
Procurement Policy	IV	403		

## **Budget**

### **Annual Budget Approvals**

The City Commission determines expenditure levels through the formulation and approval of the annual budget. In performing this policy-making function, the City Commission establishes a set of goals, priorities and performance standards by which the City organization directs its collective effort toward accomplishing. The adoption of the annual budget is the approval of a level of expenditures necessary to accomplish the goals and objectives that have been established for each city program. With the exception of single expenditures of more than \$9,999 or specific ordinances to the contrary, no further City Commission action is required to initiate purchases within that budget. All purchases made by the city are approved twice monthly by the City Commission through majority approval of the appropriation ordinance. Operating Budget transfers are authorized by the Governing Body in the annual budget adoption process. Any operating transfers not authorized in the budget adoption must be approved by the City Manager. The Governing Body will be notified of any such transfers that exceed \$10,000.

## **City Manager Authority**

The City Manager is delegated the responsibility by the City Commission to carry out a program of services to the community. It is the City Manager's responsibility to manage the annual budget in such a way that the goals and priorities of the City Commission are accomplished. All regulations, as well as recommendations for changes in general procurement policy, will only be made with the approval of the City Commission.

## Department Director Authority

Department directors are responsible for meeting the goals and objectives established by the City Commission and are provided budgeted funds to attain those goals. Each department head has the responsibility and authority to make certain that purchases are within the scope of the adopted budget.

Although the City Commission has established goals and levels of expenditure for each program, approved budget authority is not a permit nor a directive to expend funds, unless the need for the product or service continues to exist at the time of purchase and the price is within the parameters of the budget as stated above. In addition, these criteria must be ultimately weighted against the availability of funds and the relationship of the department goals to overall city priorities.

## Lease of Real Property

The City Commission may lease real property which is currently underutilized in order to maximize the return on the property to the City until such time as such properties shall be required for public usage, after following an applicable process which results in a fair market value determination which is financially most advantageous to the City.

Nothing herein shall prevent the City Manager or designated representative from negotiating the lease to a lessee of any real property that is shown to have a unique value to such lessee due to its configuration, accessibility or size. The City Commission shall have final approval of all such negotiations and any transaction.

## Disposal of City Assets

K.S.A. 12-101 allows cities to "sell and convey real or personal estate owned by the city." when an item no longer is needed by a city department, the respective department director should attempt to redistribute the item within city departments. Should there be no need for the item across city departments, such items may be given to other local governmental agencies, local not-for-profit agencies, or may be sold or traded outside of the city. If sold, departments shall determine an applicable fair market value which is financially most advantageous to the city and use one of the following methods.

- Publicly advertised auctions
- Solicitation of bids for such property - defined practices of competitive bidding will be followed
- Property that has no monetary value may be destroyed or donated to a not-for-profit organization. If more than one organization desires the property, the City Clerk shall draw lots for the purpose of making the selection.
- Departments may trade-in obsolete or surplus items for credit against the purchase price of replacement items. If a department elects trade-in to dispose of an item, the department director shall determine the actual methods to obtain the best value or credit for such items.

Unusable property or parts that have a market value will be sold "as is" through available markets approved by city management. Usable property which cannot be relocated across city departments will be disposed of in accordance with the following procedures.

**Limitations.** Any asset which, at the time of purchase, was paid by city warrant in the amount of \$5,000 or more, must receive approval by the City Manager.

**Prohibitions.** Under no circumstances will any elected official, employee, or family-member of an employee, have access to or ownership of any asset that is being disposed of in accordance with this policy unless such asset is being offered for sale to the general public and the process for such sale is open to any individual intending to proffer a bid on such asset.

**Documents.** All documents will be disposed of in accordance with state policies governing same. Any document which has, or appears to have, historical value will be separated for further examination by officials approved through the Kansas State Historical Society.

**Computing technology.** The IT department shall be responsible for disposing of city computing technology assets. It is the responsibility of the IT department to see that all data residing on any type of storage device is removed from any computing technology prior to the equipment leaving their possession.

**Notification.** Prior to transferring or disposing of city assets, each department director will determine whether such asset is part of the city's ongoing fixed asset inventory. If so, a complete description of the asset being transferred or disposed of will be sent to the Finance Director.

## Ethics

All city employees authorized to conduct purchasing activities on behalf of the City of Fort Scott shall adhere to the highest degree of ethical standards. No employee shall engage in or permit any illegal or improper purchasing practice. Further, any employee having knowledge of any questionable practice shall immediately report this knowledge to their respective department director or the City Manager. Engaging in or permitting unethical or illegal conduct constitutes grounds for disciplinary action in accordance with the city's disciplinary policies.

Subject	Section	Policy	Effective Date	Revision Date
Procurement Policy	IV	404		

## Responsibility for Enforcement

The City Manager will have the responsibility for the enforcement of this administrative policy. Department directors will be entrusted with the responsibility of enforcing the policy within their departments.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	500		

## General provisions

### Purpose

The purpose of this administrative policy is to establish a more convenient, efficient and cost-effective method of purchasing. The purchasing card program is not intended to avoid or bypass appropriate purchasing or payment procedures, but to complement the existing processes.

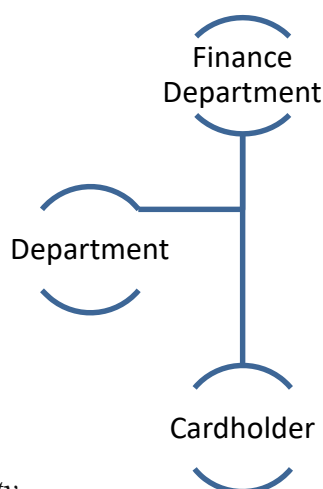
### Application

The card hereinafter referred to as the "PCARD", can be used for in-store, phone, fax, and internet purchases as well as travel expenditures. **The PCARD is to be used only for official city purchases.** All purchases made with the PCARD will be on behalf of the City of Fort Scott. This policy applies to all purchases regardless of the source of funds and complies with City of Fort Scott purchasing policies and department procedures.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	501		

## Authority and Responsibility

The finance department provides the management of this PCARD program. The hierarchal structure follows:



### *Finance department responsibility*

- Develop and manage process to reconcile card accounts each month.
- Monitor accounts for inappropriate or illegal use.
- Revoke card privileges for inappropriate or illegal use.
- Suspend card privileges for failure to provide transaction documentation in a timely manner.
- Increase or decrease card-spending limits, as necessary.

## *Department responsibility*

- Receive and distribute information from the PCARD administrator (Finance Director or designee) pertaining to the PCARD.
- Review and approve cardholder documentation and reconciliation.
- Complete and forward all documentation, including supporting documents, to the Finance Department.
- Notify PCARD administrator of suspected inappropriate or illegal use.
- Take disciplinary action as necessary for the misuse/abuse of the City of Fort Scott PCARD.

## *Cardholder responsibility*

- Make eligible purchases within authorized spending limits and funds availability.
- Use the card only for purchasing items in accordance with the city policies.
- If applicable, inform the merchant that the purchase is for "official city business" and is not subject to state or local sales tax. If the merchant refuses to waive the tax, the cardholder can present a state tax exemption letter. Cardholders can get a copy of the letter from the Finance Department.
- Take all reasonable precautions to maintain the PCARD in a secure fashion to prevent unauthorized charges to the account.
- Maintain adequate documentation of all purchases. This responsibility includes documentation of funds availability, receipts, packing lists, invoices, etc.
- Provide purchase documentation to department head prior to each accounts payable payment cycle to ensure prompt payment.
- Notify department head and the PCARD administrator immediately if the card is lost or stolen.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	502		

## **PCARD Requests**

Department heads must indicate approval and request a PCARD from the Finance Department. The PCARD administrator will then request a new card from the City's PCARD vendor. The PCARD administrator, after acquiring the card, will notify the employee when it is available for pickup. When picking up the card, the employee will be required to review this policy and sign an agreement form stating their acknowledgment of the policy as well as receipt of the PCARD. The employee will also be required to immediately sign the back of the card.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	503		

## **Limitations**

The cardholder's name will be embossed on a unique City of Fort Scott PCARD that is designed to prevent confusion with personal credit cards. Use of the PCARD is conditional on cardholder's careful adherence to the following limitations:

The PCARD must not be used for personal purchases, including those which are subsequently reimbursed by the cardholder, *i.e.*, airfare or other travel expenses for non-city employees. Cardholder must protect the security of the PCARD and the PCARD number. The following policies must be adhered:

- (1) Cardholder must not exceed the established transaction limit. The transaction limit is determined by the department director and the city's procurement policy during the application and approval process. A written request to raise a cardholder's transaction limit within the limits established by the procurement policy must be approved by the department director. Requests for temporary increases in the transaction, daily or line of credit limits must be authorized by the employee's department director and submitted to the PCARD administrator.
- (2) Cardholder must not split purchases to circumvent transaction limit or to circumvent competitive bidding thresholds.
- (3) Cardholder must not pool cards of multiple cardholders to circumvent transaction limits or competitive bidding thresholds.
- (4) Cardholder must not accept any gift or gratuity from any source when it is offered or appears to be offered to influence decisions regarding PCARD purchases.
- (5) Conference and seminar registration fees can be billed on a PCARD. However, the name of person, purpose of trip, dates of travel and destination must be included in the travel request.
- (6) All IT type purchases shall be made by the IT department.
- (7) If a cardholder has questions about the limitations on PCARD usage, the cardholder should contact his/her department head or the PCARD administrator.
- (8) Ignorance of this policy shall not constitute a defense for misuse of the PCARD.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	504		

## Discipline for Misuse

Misuse of the PCARD is a violation of this policy and will be treated accordingly. Consequences of misuse of the PCARD may include card suspension, card revocation, disciplinary action, employment termination, personal financial responsibility for purchase(s) and legal action. The PCARD may be deactivated at any time it is deemed in the best interest of the City of Fort Scott, including during an investigation of possible misuse. Employees will be subject to all applicable disciplinary accounts for the misuse/abuse of the City of Fort Scott PCARD.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	505		

## Using the PCARD

The PCARD may be used to make transactions over the counter, by mail, via telephone or over the internet. The cardholder is required to account for all transactions made using the PCARD. This includes maintaining original, detailed receipts (printed confirmations of internet transactions) and reconciliation of all transactions to the monthly statement. Originals will be given to the finance department along with the monthly reconciliation and statement. In addition, where quotes are required, a copy of the

obtained quotes must accompany the monthly reconciliation statement.

## **Required procedures**

### *Planning transactions*

- Know the limitations of the PCARD.
- Review the list of prohibited purchases.
- Give fair treatment to all suppliers and assure that the price paid is reasonable by checking the market on a regular basis.
- Each PCARD transaction should have supporting documentation that shows the purchase detail, including total amount charged by item, and which specifically supports the business purpose of the purchase. The documentation should include sufficient information to assure that the transaction was a valid City of Fort Scott business-related purchase delivered under virtually all circumstances to a City of Fort Scott location, and the purchase must be relative to the city's operating needs.
- Acquire best price possible and that all aspects of the transaction are fully understood by inquiring as to the availability of discounts, quantity breaks, cost of delivery, packaging, etc.

### *Conducting the transaction*

Transactions are classified as either commodities or services. Commodities are acquisitions of tangible goods. All non-tangible purchases are deemed to be the purchase of services. Services may fall under the federal guidelines for 1099 reporting. When acquiring services from a non-incorporated firm, the employee must obtain and submit a W-9 form to the finance department before beginning the labor service.

If a purchase is denied, it may be that the dollar amount of the transaction exceeds the transaction or cycle limit on the card, or that cardholder's card is not authorized for the transaction code that applies to the purchase being made.

### *Over-the-counter transactions*

- Select items to be purchased and present them and the PCARD to the supplier.
- If applicable, advise the supplier that the purchase is non-taxable. Be prepared to provide the city's tax-exempt number, as issued by the State of Kansas. It is the cardholder's responsibility to act as an agent of the City to ensure the proper use of the city's sales tax-exempt number.
- Verify the dollar amount is correct and that sales tax is not included and sign the sales ticket.
- Retain a copy of the detailed, signed sales ticket, as well as all related invoices and receipts for reconciliation and filing.

### *Mail, telephone, and internet transactions*

- Provide name, PCARD number and expiration date on the account, and the appropriate shipping address. In some instances, merchants will require the cardholder to furnish the three-digit security code located on the back of the card.
- If applicable, advise the supplier that the purchase is non-taxable. Furnish a copy of the city's tax exemption certificate if required.



- Determine the best method of shipping and provide instructions to the supplier.
- When goods are received, retain all sales receipts and packing slips to aid in reconciliation.
- Never provide the card number to any person or entity making the request if a transaction was not made by the cardholder.
- Never respond to unsolicited offers.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	506		

## Returns, Damaged Goods, Credit

- If the cardholder determines that the material is damaged, substandard or incorrect, the cardholder must notify the supplier that the item needs to be returned. Request an address to ship to and a return authorization number.
- Request the supplier process a credit to the cardholder's PCARD.
- Record the dispute to the original transaction. This reference will be used during the reconciliation process to identify those goods have been returned for credit.
- Ensure the credit appears on the next periodic report from the PCARD provider bank. If the credit does not appear, notify the supplier and the PCARD administrator. *Note: if the goods were purchased locally, the cardholder may return the merchandise in person and have the supplier provide a credit receipt. If the cardholder returns the item back to a local merchant, follow instructions above.*

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	507		

## Resolving Disputes with Suppliers

If the cardholder is charged for an item incorrectly, the cardholder must contact the supplier and attempt to resolve the problem. Document any communication, the dates, the persons involved and a brief description of the problem. If the cardholder is unable to resolve the dispute with the supplier, the cardholder must contact the PCARD administrator to complete a visa PCARD dispute to be provided to the PCARD provider bank. The PCARD administrator will maintain a file of all dispute items. If the statement is not correct, notify the supplier and your department director.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	508		

## Reconciling PCARD Transactions

Access to each PCARD's transactions will be provided separately for each employee's assigned card. Reconciliation of the PCARD transactions to the periodic statement will be done in time for each accounts payable payment cycle.



The PCARD holder must supply corresponding receipts for all transactions included on the statement to the department director for reconciliation. Department directors must provide each cardholder's statement and matching receipts to the finance department for final reconciliation.

Each reconciler should feel a personal obligation to question and report purchases that do not appear to be in the best interest of the City.

Misuse of a PCARD or using it for non-city purposes is a violation of this policy. Not reporting such situations is also a violation of this policy.

Approving officials must be sure to personally approve and document the approval of PCARD purchases. A department director, the PCARD administrator or the City Manager may take away PCARDS from users who do not reconcile their accounts according to this policy. The PCARD administrator will conduct random audits of PCARD transactions as well as a periodic review of PCARD purchases.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	509		

## Card security

The cardholder is responsible for safeguarding the PCARD at all times. The cardholder should use caution when allowing anyone else to use the card or account number and should never use the card to procure personal items. Procurement policies and procedures place upon the cardholder direct responsibility for the proper and lawful execution of purchasing actions. No employee of the city has authority to issue instructions or approve a procedure that is in direct violation with the law or City resolutions, policies, or procedures. Any act exceeding that individual's authority is no longer an act of the City but becomes a personal responsibility. All employees must maintain the highest standard of conduct. Any conflict of interest or appearance thereof, between city responsibilities and personal lives must be avoided.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	510		

## Lost or stolen PCARDS

If a PCARD has been lost, stolen or a cardholder's account number has been compromised in a fraudulent manner, the cardholder must notify his/her department director immediately. If unable to contact the department director, contact the PCARD administrator immediately. If stolen, the cardholder must also contact the police department having jurisdiction to file a theft report. Contact should be immediate so the highest level of detail regarding account activity leading up to the lost/stolen date can be provided.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	511		

## Separation of Cardholder

Prior to separation from the cardholder's department or assignment to another function within the department that does not require cardholder authority; the cardholder will surrender the card to the PCARD administrator to destroy the card. The cardholder will review with their department director the status of any unreconciled, questionable, partially approved, unresolved, and disputed transactions, and identify any supplies and/or services which have been ordered but not yet received, so appropriate action can be taken to complete these activities.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	512		

## PCARD Changes

If the cardholder changes his/her name, business address or default charge code or moves to another department within the city, he or she must notify the PCARD administrator immediately of the changes. All PCARDS must be returned to the department director and forwarded to the PCARD administrator if the employee terminates employment with the City of Fort Scott.

Subject	Section	Policy	Effective Date	Revision Date
Purchasing Card Policy	V	513		

## Responsibility for Enforcement

The City Manager has designated the Finance Director with the responsibility for enforcement of this administrative policy. Department heads will be entrusted with the responsibility of enforcing the policy within their departments.

Subject	Section	Policy	Effective Date	Revision Date
Cash Management	VI	600		

## Purpose

The purpose of the Cash Management policy is to establish a framework from which the City Commission, City Manager, and all department directors may work to maintain effective revenue controls and cash management practices, including compliance with federal, state and local laws and industry standards.

## Scope

This policy will address elements of cash management as follows:

- Segregation of cash related duties
- Timely receipts and deposits
- Scheduling disbursements
- Investing of idle cash
- Reducing the need to borrow by building reserves
- Determining the timeliness of debt issuance to ensure available cash for capital improvements
- Periodic independent verification through internal audits and an annual audit performed by external auditors
- Periodic review and updates to policies and procedures as needed to meet changes in federal, state, or local regulations, industry standards, and specific City circumstances that require changes in processes
- Timely financial reporting to the City Commission, City Manager, and other as necessary
- Bonding the City Finance Director in accordance with Kansas Statutes

## Cash Management Policy Statement

The City of Fort Scott is committed to:

- The City will systematically gather, record, maintain, and report cash and investment information in a timely and accurate manner in accordance with federal and state regulations.
- The City will ensure that cash and investments are properly deposited, reconciled and insured against loss and placed with City Commission authorized depositories in an accurate and timely manner.
- The City will receipt monies through the City financial system that automatically numbers and deposit daily in the City Commission authorized financial depository.
- Receipts will be updated to the general ledger daily. All monies receipted must be accounted for by fund, account, and source.
- The City will ensure that employees who handle cash will be skilled, and fully trained; department directors will ensure employee segregation of duties in order to reduce the risk of misappropriation of funds.
- The City will review shortages of significant amounts of money, or consistent shortages of small amounts, which may arise from misappropriation, and implement disciplinary action up to and including termination, as needed.
- The City will make a reasonable effort to determine the cause of the shortage or overage and correct

it. Significant overages will be investigated carefully and employees experiencing high amounts or frequent overages, or shortages will be relieved of cashier duties.

- The City will make every attempt to recover significant amounts of shortages that may arise from misappropriation.
- The City will appropriately record overages or shortages in the daily cash collection report as an overage or shortage.
- The City will secure cash, checks, money orders, and other forms of tender in a secure location until such time as it is delivered to the Finance office and/or bank. The City will avoid using bank night drop boxes.
- The City will not exchange cash for checks, nor will the City accept a third-party check (a check payable to someone other than the City) in payment of a debt owed to the City. In addition, the City will not accept checks for overpayment when the intent is to refund cash back to the customer.
- The City will explore all available options in the collections of insufficient checks and other forms of uncollected receivables.
- The number of City checking accounts will be kept to a minimum in order to reduce the complexity of cash management but will be in accordance with statutory and other requirements.
- The City will encourage the use of wire, ACH, direct deposits, and other electronic forms of receipts, deposits, and payments whenever possible to reduce the risk of error, reduce the opportunity for misappropriation, reduce the level of returned checks, and ensure more rapid turn-around time on receivables.
- The City will establish segregation of duties so that no one employee has responsibility for every phase of cash receipting and depositing, disbursement, reconciliation, and reporting of cash transactions.
- The City will integrate receipting and accounting systems whenever possible.
- The City will provide fraud reporting procedures. Any suspicion of fraud will be reported to appropriate personnel in a timely manner for further investigation.
- Suspicion of non-compliance with internal control procedures will be reported to the appropriate personnel for further review in a timely manner.
- The City finance department will serve as primary recipient for all revenue collections sites and will ensure that deposits are transported to the City Commission authorized depository.
- Cash collection points will be established at each location where customer services are provided. Documented internal controls will be established at each collection point. Each collection point will document receipts and provide secured cash and checks along with receipt reports to the City Finance office daily.
- Billings will be initiated in a timely manner.
- For monies received in advance of revenue recognition criteria or for monies which are expected to be refunded to a payee upon completion of performance measures (i.e., water deposits), the funds shall be deposited into a liability account in the appropriate fund. Any interest accrued on these funds will be paid back to the individual in accordance with Kansas State Statutes. Once the payee has met the performance requirements, monies will be refunded in a timely manner.

## Cash Disbursements

- The City will systematically gather, record, maintain, and report cash and investment information in a timely and accurate manner in accordance with federal and state regulations.
- The City will report detailed disbursement information to the City Commission.
- The City will ensure that employees who handle disbursements are skilled, and fully trained; ensure

segregation of duties so that no one who writes checks, creates vendors, signs checks, or reconciles bank statements are performing the same duties.

- The City will ensure that all disbursements are properly classified by fund, department, and account and that all charges are legal and for authorized purposes.
- The City will disburse all payments through the Finance Director with proper documentation. At no time is it acceptable to issue payment from a cash register.
- The City will schedule disbursements in such a manner that sufficient cash will be on hand to avoid overdrafts.
- There will be two signatories on all checking accounts, City Manager and Finance Director or designee. There will always be at least one (1) live signature on all checks.
- No member of staff has authority to approve their own reimbursements.
- Managers shall review and approve timecards, and/or payroll changes for their staff but will not prepare payroll checks or other transactions.
- The City will encourage direct deposit, wire transfers, ACH or other forms of electronic transactions as much as possible.
- All payroll changes will be made by the Human Resources Director to ensure segregation of duties from the staff preparing payroll transactions.

## ENFORCEMENT

The City Manager has designated the Finance Director with the responsibility for enforcement of this administrative policy. Department heads will be entrusted with the responsibility of enforcing the policy within their departments.

Subject	Section	Policy	Effective Date	Revision Date
Debt Issuance Compliance	VII	700		

## Purpose

The City of Fort Scott from time to time issues bonds, notes, or other obligations to accomplish the purposes for which the City was incorporated, hereby states its official policy that it shall comply fully (or to the greatest extent possible) with all applicable requirements of State and Federal law pertaining to issuance and existence of governmental bonds, including, but not limited to, provisions of the Federal Internal Revenue Code of 1986, as amended, (with attendant rules and regulations, the "Code"), provisions of Federal securities laws, including those statutes, rules and regulations pertaining to the Securities and Exchange Commission ("SEC"), and requirements of other State and Federal administrative and regulatory agencies pertaining to the issuance, sale, delivery, existence and payment of government bonds.

This policy, which to the best knowledge and belief of the City has heretofore been followed, although not set forth in a formal written form (except for effective and existing Federal Tax Certificates relating to specific bond issues, which are hereby referenced and incorporated herein).

Subject	Section	Policy	Effective Date	Revision Date
Debt Issuance Compliance	VII	701		

## Administration

The day-to-day actions to maintain compliance with those State and Federal laws applicable to the City's issuance of government bonds and obligations, shall be conducted by the Director of Finance (the "Bond Compliance Officer"). Provided, the Bond Compliance Officer shall be responsible to, and under the direction of, the City Manager of the City.

The Bond Compliance Officer shall have and exercise the duty of assuring compliance with applicable State and Federal laws relating to bonds and financial obligations issued by the City. This duty shall include the keeping of books and records of the City in a full and accurate manner, and the reporting of activities of the City to appropriate State and Federal authorities which may include, but not be limited to, the United States Internal Revenue Service ("IRS"), the United States Securities and Exchange Commission ("SEC") and such other boards and agencies with jurisdiction over the process of issuing bonds by the City. Such activities shall include actions to assure compliance with laws, rules and regulations relating to the City or other governmental bonds after the time such bonds are issued ("post-issuance compliance"). Thus, the Bond Compliance Officer shall be responsible for post-issuance compliance.

Subject	Section	Policy	Effective Date	Revision Date
Debt Issuance Compliance	VII	702		

## Bond Issuance

The Bond Compliance Officer shall maintain (or cause to be maintained), in either paper or electronic

format, full and correct copies of all proceedings relating to the approval, sale, issuance, delivery and use of City bonds and other financial obligations. Such proceedings shall include:

1. A complete transcript of proceedings relating to each City bond issue, including all City governing body ordinances, resolutions, and all documents relating to any such bond issue, and related approvals.
2. A complete accounting of all costs of issuance of each City bond issue, including, but not limited to, fees and expenses, as applicable, of:
  - a. Bond Counsel
  - b. Underwriter's Counsel
  - c. Special Tax Counsel
  - d. Accountants or providers of bond financial analysis
  - e. Bond transcript approval by the Attorney General
  - f. Rating Agencies
  - g. Providers of bond insurance, letters of credit or other forms of credit enhancement
  - h. Trustee bank(s) or the State Treasurer, including acceptance fees
  - i. Providers of investment services, including investment of bond proceeds
  - j. CUSIP or similar bond registration services
  - k. Providers of printing services for bonds, or official statements; and
  - l. Services of any other providers related to the City's bond issues.
3. Any leases, subleases or use agreements relating to bond financed property.
4. A complete accounting of all receipts, including but not limited to, rental or lease revenues, administrative and other fees, and investment earnings in relation to City bonds.
5. A complete accounting of all payments of principal of, and interest or premiums on City bonds.
6. Computation on the arbitrage yield, net interest cost and true interest cost of the bonds, any Form 8038's or similar IRS reports reflecting bond issuance and costs, and evidence of timely filing of such reports.
7. Computation, in accordance with Code requirements, of arbitrage yield restriction and rebate, if any, due the United States, and evidence of timely payment of any such liability.
8. A detailed accounting of the purposes or projects for which bond proceeds are used, and any change in such purpose or project during the course of its acquisition or construction.
9. A detailed accounting of the expenditure of bond proceeds for project purposes, copies of requisitions, invoices and bills together with contracts for construction, renovation or acquisition of bond-financed facilities, including a time line or draw schedule indicating the date of such expenditure, and a detailed list of assets acquired.
10. Evidence of the retirement, redemption, refunding, reissuance or restructuring of such bonds, including dates of such occurrences
11. A complete accounting of administrative or other fees or expenses charged or incurred in connection with any bond issue.
12. Newspaper articles, brochures or other publications relating to City bond issues
13. Accounting for any federal or state government grants received related to City bond financed projects.
14. Periodic statements of bond trustees for City bond issues.
15. Audited financial statements of the City relating to its bond issues.
16. Correspondence (letters, e-mails, faxes, etc.) related to the City's bond issues and/or bond-financed projects.
17. Reports of any prior IRS examinations of the City or any of its bond issues.
18. Any guaranteed investment contracts or other investment instruments for the proceeds of any



City bond issues.

19. Any agreements for swaps or financial derivatives, and an accounting for the income and expenses related to such financial instruments relating to City bond issues.
20. Contracts, agreements, or other evidence relating to the bidding and cost of financial products in connection with City bond issues.
21. Any documents, agreements or instruments of whatsoever kind or character (including, but not limited to, leases, subleases, naming rights, management agreements, etc.) relating to use of any part of the bond-financed property or project for private business use (including 501(c) corporations), and accounting of any revenues received in relation thereto.
22. Agreements with underwriters or other persons regarding the obligation of the City to provide continuing disclosure of information pertinent to the issuance of any City bonds after closing of the issuance thereof.

Subject	Section	Policy	Effective Date	Revision Date
Debt Issuance Compliance	VII	703		

## Post Bond Issuance Requirements

The Bond Compliance Officer (who may act on advice of bond counsel or other qualified tax or securities counsel, as appropriate) shall maintain (or cause to be maintained), in either paper or electronic format, full and correct copies of all materials or proceedings required by applicable State or Federal tax and securities laws or rules to be kept in relation to substantial changes in the project or the bonds after the closing of the bond issue, and to timely disclose (or cause to be disclosed) such materials and changes, so as to fully comply with applicable tax and securities laws, rules and regulations of the SEC, IRS and other regulatory agencies, and with provisions of any continuing disclosure agreements of the City related to the bonds.

Such records, and disclosures in connection therewith, shall be kept or made in such a manner as to allow the City to fully comply with applicable laws, rules and regulations including, but not limited to, the following:

1. Change in use of the project or bond-financed property. The Bond Compliance Officer shall, upon advice of qualified bond counsel or tax counsel experienced in such matters, report a change in use of the bond financed project or facilities to the IRS in a timely fashion, and shall undertake (or cause to be undertaken) any remedial actions recommended by such counsel and approved by the City's governing body.
2. Occurrence of a "Material Event" as defined in Rule 1502-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12) including any official interpretations thereof (the "Rule"), as in effect on the date of the closing of the issuance of the City's bonds. Such Material Events shall include, but not be limited to:
  - a. Principal and interest payment delinquencies
  - b. non-payment related defaults
  - c. modifications to rights of Bond Owners
  - d. optional, contingent, or unscheduled Bond calls
  - e. defeasances
  - f. rating changes
  - g. adverse tax opinions or events affecting the tax-exempt status of the Bonds
  - h. unscheduled draws on debt service reserves reflecting financial difficulties



- i. unscheduled draws on credit enhancements reflecting financial difficulties
- j. substitution of credit or liquidity providers, or their failure to perform
- k. release substitution or sale of property securing repayment of the Bonds
- l. tender offers
- m. bankruptcy, insolvency, receivership, or similar proceeding of the obligated person
- n. the consummation of a merger, consolidation, or acquisition involving an obligated person, other than in the ordinary course of business, or the entry into a definitive agreement to undertake any such actions
- o. the appointment of a successor or additional trustee, or the change of the name of trustee, if material.

Notwithstanding any provisions of State law relating to document retention to the contrary, the above post-bond closing records, in either paper or electronic format, shall be retained for a period of not less than the term of the bonds plus three (3) years, or such longer time as recommended by qualified bond or tax counsel so as to allow the City to comply with all applicable tax and securities law requirements.

In all activities related to bonds issued by the City, staff will exercise due diligence to comply with the Code governing issuance of the City's bonds. The City is aware of (a) the Voluntary Closing Agreement Program (known as "VCAP") operated by the Internal Revenue Service which allows issuers to voluntarily enter into a closing agreement in the event of certain noncompliance with Federal tax requirements and (b) the remedial actions available under Section 1.141-12 of the Income Tax Regulations for private use of bond financed property which was not expected at the time the bonds were issued.

Subject	Section	Policy	Effective Date	Revision Date
Debt Issuance Compliance	VII	704		

## ENFORCEMENT

The Bond Compliance Officer is responsible for staying current with any changes in the rules for tax-exempt and Direct Pay bonds. The City recognizes that such education and training is vital as a means of helping to ensure compliance with federal tax requirements in respect of its bonds. The City may rely upon outside advisors for assistance and guidance with these matters.

The Bond Compliance Officer will periodically monitor compliance with the guidelines contained in this policy statement as well as any other covenants herein referred to.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	800		

## POLICY

It is the policy of the City of Fort Scott to invest public funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

## SCOPE

This investment policy applies to all financial assets of the City. The financial assets of all funds, including the General Fund, Special Revenue Funds, Capital Projects Funds, Proprietary Funds, Fiduciary Funds and any other funds that may be created from time to time, shall be administered in accordance with the provisions of this policy.

## PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. The prudent person standard states "Investment shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	801		

## OBJECTIVES

The primary objectives, in priority order, of the City's investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of this investment policy. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
2. **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
3. **Return on Investment:** The City's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow characteristics of the portfolio.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	802		

## DELEGATION OF AUTHORITY

The Director of Finance has direct management responsibility over the investment program, and the City Manager has final management responsibility for the investment program. The Finance Director shall report to the City Manager on a periodic basis, as appropriate, concerning the status of the City's investment program. The Director will review and receive prior approval from the City Manager before undertaking any major changes in the City's investment portfolio. The City Manager will review any modifications with the City Commission as appropriate. The Director shall establish written procedures for the operation of the investment program consistent with this investment policy.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	803		

## ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. All authorized investment officials shall disclose to the City Clerk any material financial interest in financial institutions that conduct business within the City.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	804		

## AUTHORIZED FINANCIAL INSTITUTIONS

The Finance Director will maintain a list of financial institutions in which the City may purchase investment securities from and in which funds may be deposited. This list shall be reviewed and approved annually by the City Commission.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	805		

## AUTHORIZED AND SUITABLE INVESTMENTS

The Finance Director is authorized to invest in the following securities:

- 1) United States Treasury Instruments,
- 2) Municipal Investment Pool
- 3) Certificates of Deposit, and

Subject	Section	Policy	Effective Date	Revision Date
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Investment Policy      VIII              806

## COLLATERALIZATION

Collateral is required on all City investments and funds on deposit held in authorized financial institutions, except for investments which are direct obligations of the U.S. government. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 100% of current value of principal and accrued interest.

Collateral may consist of the following:

- 1) Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof and obligations, including but not limited to letters of credit, and securities of United States sponsored corporations which under federal law may be accepted as security for public funds; and
- 2) Bonds of the State of Kansas.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	807		

## SAFEKEEPING AND CUSTODY

Collateral securities will always be held by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. Pledged collateral shall not be released until an acceptable re-pledging of collateral is made and confirmed to the Finance Director or his/her designee in the event of a transfer of collateral. Safekeeping procedures shall be reviewed annually by the independent external auditor.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	808		

## DIVERSIFICATION

It is the policy of the City to diversify its investment portfolio by security type and maturity. Assets held in the cash fund and other investment funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity or a specific class of securities.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	809		

## MAXIMUM MATURITIES

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not invest in securities maturing more than two (2) years from the date of purchase. However, the City may invest reserve funds in securities exceeding two (2) years if the maturities of such investments are made to coincide as nearly as possible with the expected use of the funds.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	810		

## PERFORMANCE STANDARDS

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles taking into account the City's investment risks, constraints and cash flow needs.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	811		

## MARKET YIELD

The basis used by the Finance Director to determine whether market yields are being achieved shall be the 91-day U.S. Treasury Bill rate. In the event economic conditions are not producing a favorable market yield, city funds will remain as "idle funds".

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	812		

## REPORTING

The Director shall compile monthly investment reports showing type of investment, institution, rate or interest, term, maturity date, and projected interest earnings at maturity.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	813		

## REVIEW OF POLICY

The Finance Director shall review the policy on an annual basis with the City Manager, and any modifications made thereto must have prior approval of the City Commission.

Subject	Section	Policy	Effective Date	Revision Date
Investment Policy	VIII	814		

## INVESTMENT PROCEDURES

When it is determined that the City has "idle funds" available for investment purposes, the Finance Director shall cause the following investment procedures to be initiated:

- 1) The Finance Director shall determine the amount of idle funds available for investment, the term such funds can be invested, and the date such funds are available.
- 2) The Finance Director shall send to all authorized financial institutions a standardized investment quotation form requesting interest rate information.
- 3) After all quotes are received; the Finance Director shall review and study each quote to determine which quote will earn the greatest interest earnings for the City. The quote

with the highest yield will be awarded the idle funds; however, if all quoted interest rates are lower than the current 91-day U.S. Treasury Bill rate, the City shall purchase such U.S. Treasury Bills directly.

- 4) Before any investments are purchased, the Director or his/her designee shall verify that sufficient collateral securities are being held to satisfy all safekeeping requirements.

## **ENFORCEMENT**

The City Manager has designated the Finance Director with the responsibility for enforcement of this administrative policy. Department heads will be entrusted with the responsibility of enforcing the policy within their departments.

Subject	Section	Policy	Effective Date	Revision Date
Grants Management Policy	IX	900		

## PURPOSE

The purpose of the Grant Policy is to establish a framework from which the City Commission, City Manager, Finance Director, and City staff may work to maintain compliance with the requirements of grant funding sources, thus enabling the City to remain competitive for grant funding.

## SCOPE

This policy will apply to all the grant awards received by the City and those in which the City is the sponsoring agent.

## POLICY STATEMENT

The City of Fort Scott is committed to:

- Ensuring all grants shall be consistent with the government's mission, strategic priorities, and/or adopted plans.
- Developing local grant programs that clearly define eligibility, promote economic growth, protect the City from liability, and meet the goals and objectives set forth by the City Commission.
  - Contractual agreements will be required for economic development grants awarded that exceed \$10,000.
  - When working with private developers stipulations will be included in contracts requiring a Conditional Waiver and Release upon Final Payment form be completed by each contractor and subcontractor working on the job before City funds will be released to the grantee.
  - Audits of financial statements, grant terms, or project sites will be completed based on the type of grant awarded.
  - Commission approval shall be obtained before any City funds are released to the grantee.
- Departments seeking a grant from outside resources shall provide advance notice to appropriate authority, such as finance, so that the effects on the government, for example, budget, cash flow, procurement requirements, financial reporting, or compliance requirements can be reviewed and understood beforehand
- The City Manager will obtain a detailed understanding of grant terms and conditions and specify how the grant will be monitored. The City Manager will enforce the following procedures depending on what type of grant is awarded.
  - Develop who will be responsible for implementation.
  - Identify the individual/department responsible for carrying out the grant and making sure that proper resources are available to support that grant.
  - Provide resources for training those responsible for the grant, so they can effectively carry out their roles.
  - The system/process that will be used to charge expenses against the grant and to obtain reimbursement. This might require both technical procedures to account for time and materials and reporting.
- The finance department shall maintain financial transactions and records in accordance with federal, state and local regulations; legal requirements; underlying agreements; program objectives; and the terms and conditions of the grant award.



- The City Manager or his designee will ensure activities of the City or sub-recipients are following federal award guidelines and are used for authorized purposes in compliance with laws, regulations, and provisions of contracts or grant agreements and that performance goals are met.
- If required, having an independent single audit performed.
- Reviewing and updating this grant policy on an annual basis.

## **Responsibility for Enforcement**

The City Manager will have the responsibility for the enforcement of this administrative policy. Department directors will be entrusted with the responsibility of enforcing the policy within their departments.

Subject	Section	Policy	Effective Date	Revision Date
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Travel Policy	X	1000		
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## PURPOSE

To provide consistent travel and reimbursement rules. It is the intent of this policy to assure fair and equitable treatment to all employees traveling on City business at City expense.

## DEFINITION

For this policy, the definition of out-of-town travel shall be trips outside the City limits of Fort Scott for official City business purposes.

Subject	Section	Policy	Effective Date
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Travel Policy	X	1001	
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## REQUEST FOR TRAVEL APPROVAL FORM

A request for travel (Trip Expense Form) shall be filled out in advance with detailed estimates of the cost, to include if applicable, mileage, meals, lodging, registration or conference fees, turnpike fees, vehicle rental fees, and airline tickets. No expense for reimbursement for out of town travel will be paid to the employee without proper travel authorization unless the travel type is an exception. Approval must be authorized prior to the commencement of work-related out-of-town travel. Department Directors shall require City Manager approval and all other employees shall require Department Director approval.

## EXCEPTIONS TO TRAVEL APPROVAL FORM

Emergency response vehicles responding to an emergency, police vehicles transporting prisoners to and from jail, police officers testifying at trials, public utility vehicles responding to City utility repairs, public utility vehicles used in the reading of utility meters and out-of-town travel made to pick up supplies or parts. If any of these exceptions require overnight stay it shall no longer be considered an exception and must follow the approval process above.

## SUMMARY OF TRAVEL EXPENSE FORM

A summary of travel (Trip Expense Form) shall be completed and submitted to the Finance Department within five business days of the employee's return from authorized out-of-town travel. All travel receipts must be itemized with detail of the purchase and or service. No expense reimbursement for out of town travel will be paid to the employee without a properly completed summary of travel expense form unless the travel type is an exception.

Subject	Section	Policy	Effective Date
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Travel Policy	X	1002	
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## ALLOWABLE TRAVEL EXPENSES

Items that are allowable travel expenses shall include mileage, cost of fuel, parking fees, meals, tips (20%), lodging, registration or conference fees, turnpike fees, vehicle rental fees, and airline tickets.

## TRAVEL EXPENSES NOT PAID OR REIMBURSED BY THE CITY

The following items are not-allowable to be paid or reimbursed by the City: beer and alcoholic beverages, snacks, beverages not associated with meals, laundry services, Wi-Fi connections, personal phone calls, in-room movies that are either charged to the room or otherwise incurred. These types of expenses if incurred by an employee shall be at the employee's personal expense.

## REIMBURSEMENT

The City will reimburse employees for allowable travel expenses incurred by the employee while traveling on official City business and that were paid for from the employee's personal funds. Itemized receipts with details of the purchase and or service are required for reimbursement and accountability in all cases. Under rare circumstances a lost receipt can be substituted with approval by the City Manager or Finance Director if the employee makes a satisfactory written explanation. Any reimbursement due to the City must be paid within five business days of the employee's return from an authorized out-of-town trip.

Subject	Section	Policy	Effective Date
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Travel Policy	X	1003	
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## USE OF CITY VEHICLES

The City provides vehicles to certain employees to perform their daily functions and these vehicles shall be used for travel when necessary.

## USE OF PERSONAL VEHICLE

If an employee uses their personal vehicle, the City will reimburse the employee at the Federal IRS approved mileage rate to the meeting site and back using the best route possible. A MapQuest or Google Maps distance printout will be required for documentation of travel mileage. The travel mileage reimbursement shall be for mileage related only to City business. The estimated round-trip mileage shall be stated on the request for travel approval form and the actual mileage shall be stated on the summary of travel expense form.

Subject	Section	Policy	Effective Date
Travel Policy	X	1004	

## NON-EMPLOYEE EXPENSES

In a situation where a City employee may travel to a conference or meeting with their spouse and/or family member, the City will not pay for travel, meals, snacks, movie rentals, personal phone calls, entertainment, alcoholic beverages or other incidental expenses for the employee's spouse and/or family member.

Subject	Section	Policy	Effective Date
Travel Policy	X	1005	

## MEAL ALLOWANCE RATE

The maximum meal allowance rates for out-of-town travel are as follows:

\$12.00	Breakfast
\$15.00	Lunch
\$23.00	Dinner

The total allowed meal expense per day for in-state/border state shall not exceed \$50; the total allowed meal expense per day for out-of-state high cost shall not exceed \$75. Example destinations of out-of-state high cost are Boston, Chicago, Dallas, Los Angeles, New York and Washington DC. Tips shall not exceed 20% of a meal receipt and should be based accordingly upon the service received. The original detailed itemized receipt from the eating establishment must be part of the documentation submitted with the summary of travel expense form.

If a workshop provides meals as a part of the registration fee, the City will not reimburse if the employee chooses to get their meals outside of the venue. The City Manager shall have discretion under certain executive business-related activities to spend above the per day threshold.

## MEAL ALLOWANCE WHEN NO OVERNIGHT STAY IS REQUIRED

The City Manager or Department Director may authorize reimbursement to employees for one meal per day under the following circumstances when an overnight stay is not required:

1. The employee is required to travel on official City business and the employee's workday, including travel time, is eleven hours or more,
2. The employee is required to attend a conference and a meal is not served during the attendance time,
3. During periods of emergency response or emergency utility repairs where employees are unable to leave the work site.

Subject	Section	Policy	Effective Date
Travel Policy	X	1006	

## LODGING

Lodging expense is limited to the lodging establishment's lowest available rate for normal single occupancy on the day (or days) the lodging expense is incurred. The official receipt from the lodging establishment must be part of the documentation submitted with the summary of travel expense form.

Subject	Section	Policy	Effective Date
Travel Policy	X	1007	

## ACCOUNTABILITY

The requirement of the Travel Request Approval Form and the Summary of Travel Expense Form are as follows:

- (1) Documentation for the purpose and expenditures for out of town travel.
- (2) Documentation of authorization for out-of-town travel.
- (3) Documentation of authorization for the use of City vehicles.
- (4) Auditing purposes.

## OTHER PROVISIONS

- Employees driving on behalf of the City must possess a valid driver's license.
- The expenditure of City funds for alcoholic beverages shall be prohibited.
- Any employee utilizing their personal vehicle will maintain liability insurance.
- Loss damage coverage or supplemental liability coverage should not be purchased when using a rental vehicle for City business.
- In the event an employee travels out-of-state on a scheduled airline, the air travel must be the most economical available.
- If an hourly employee is required to attend an out-of-town meeting or conference, the travel time from the employee's normal place of work to and from the destination is counted as "hours worked". Department heads and supervisors may use flexible time schedules throughout the week in which an employee travels in order to eliminate the need to pay overtime.
- All traffic offenses, parking tickets, towing expense for being illegally parked and other vehicular violations are the responsibility of the employee and will not be paid by the City.

- Employees are expected to use discretion in the use of City owned vehicles at all times including out-of-town travel.
- Employees should refrain from any activities which, if disclosed to the public, would tend to compromise trust in the integrity, honesty, and efficiency of the City.

### **ENFORCEMENT**

The City Manager has designated the Finance Director with the responsibility for enforcement of this administrative policy. Department heads will be entrusted with the responsibility of enforcing the policy within their departments.

Subject	Section	Policy	Effective Date
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Employee Service Awards	XI	1100	
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## PURPOSE

The purpose of the Service Award Policy is to establish a framework from which the City Commission, City Manager, Finance Director, and City staff may work to maintain compliance with the requirements of recognizing employees for their years of service with the City of Fort Scott.

Subject	Section	Policy	Effective Date
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Employee Service Awards	XI	1101	
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## AWARD SCHEDULE

Service awards are meant to honor the employee for their years of commitment to the City of Fort Scott. The City recognizes that the employee has provided continuity, organizational memory and commitment.

5 Years of Service	Certificate and Gift Card with a value \$ 25
10 Years of Service	Certificate and Gift Card with a value \$ 50
15 Years of Service	Certificate and Gift Card with a value \$ 75
20 Years of Service	Certificate and Gift Card with a value \$100
25 Years of Service	Certificate and Gift Card with a value \$125
30 Years of Service	Certificate and Gift Card with a value \$150
35 Years of Service	Certificate and Gift Card with a value \$175
40+ Years of Service	Certificate and Gift Card with a value \$200

## Responsibility for Enforcement

The City Manager will have the responsibility for the enforcement of this administrative policy. Department directors will be entrusted with the responsibility of enforcing the policy within their departments.



## Definitions

**Advance refunding:** bonds sold to refinance outstanding bonds 90 or more days prior to their call dates.

**Arbitrage:** arbitrage refers to the rebate or penalty amount due to the Internal Revenue Service where funds received from the issuance of tax-exempt debt have been invested and excess interest earnings have occurred, or where tax-exempt bond proceeds are not spent for their intended purposes within the times permitted by federal regulation. As used in this policy, 'excess interest earnings' means interest earned at a rate more than the arbitrage permitted yield on any individual bond issue.

**City Commission:** the governing body of the City of Fort Scott is composed of the five (5) commissioners duly elected or appointed through the State of Kansas.

**City employee:** an individual drawing a salary or wages from the city, any non-compensated individual performing personal services for the city or any department, activity, commission, council, board, or any other entity established by the executive or legislative branch of the city; and any non-compensated individual serving as an elected official of the city.

**City Manager:** the chief administrative officer of the city appointed on either a permanent or interim basis by the City Commission.

**Construction:** the process of building, altering, repairing, improving, or demolishing any public structure or facility or other public improvement of any kind.

**Contract:** a legally binding promise enforceable by law, and generally, in writing between the city and one or more outside parties, regardless of form or title for the purchase of supplies, materials, services, professional services and construction.

**Current refunding:** bonds sold to refinance outstanding bonds prior to their maturities but after or shortly before call dates established in the bond indenture of the outstanding bonds. A current refunding can take place no earlier than three months before the 'call' and any time after the call. Payment of the outstanding bonds must occur within 90 days of selling the current refunding bonds.

**Department director:** the director designated by the City Manager to direct the administration of the department and is charged with certain duties and responsibilities, or his/her authorized representative.

**Derivatives:** securities the value of which depends on or is derived from one or more separate indices of asset values. Derivative products issued by local governments may include floaters inverse floaters, collateralized mortgage obligations (CMOS), forwards, futures, and options.

**Emergency:** those unforeseen circumstances that present an immediate threat to public health, welfare, or safety; or when immediate response is necessary to prevent further damage to public property, machinery or equipment; or when delay would result in significant financial impacts to the city or significant interruption to the project schedule as determined by the department head

and City Manager.

**General obligation bonds:** bonds backed by the full faith and credit of the city. Bondholders have the power to compel the city to levy property taxes to repay the bonds if necessary.

**Invitation for bids:** all documents, whether attached or incorporated by reference, utilized for soliciting sealed bids.

**Lease/purchase agreements:** the city enters into a lease agreement with another party (typically a third-party vendor) to lease an asset over a defined period of time at a prearranged annual payment. Lease payments are made primarily from operating fund revenues. The legislative body appropriates annual lease payments unless it chooses not to appropriate under the Kansas cash basis law. If lease payments are not appropriated, ownership of the leased property reverts to the lessor. At the conclusion of the lease term, the city receives unencumbered ownership of the property.

**Modification:** any written alteration to a provision of any contract accomplished by mutual agreement of the parties to the contract.

**Responsible bidder:** a contractor, business entity or individual who is fully capable to meet all of the requirements of the solicitation and subsequent contract. Must possess the full capability, including financial and technical, to perform as contractually required. Must be able to fully document the ability to provide good faith performance. Documented poor performance on prior contracts for goods or services may suspend a contractor from consideration for award.

**Request for proposals:** all documents, whether attached or incorporated by reference, utilized for soliciting proposals when price is a factor in selection.

**Request for qualifications:** all documents, whether attached or incorporated by reference, utilized for soliciting proposals when price is considered after selection. This is usually applicable for engineering, architectural, consulting, and other specialized or technical services.

**Revenue bonds:** bonds secured by revenues generated by the facility from dedicated user fees, or by one or more non-ad valorem revenue sources. Planning for such issues generally is more complex because future costs and revenues directly affect each other. Credit enhancements (e.g., insurance or letter of credit) may be needed because of the limited source of debt service payments that may be available in outlying years.

**Scope of services:** a detailed description of the tasks to be performed by the successful bidder.

**Specifications:** a description of the physical or functional characteristics, or of the nature of a supply, service, or construction item; the requirements to be satisfied by a product, material or process indicating, if appropriate, the procedures to determine whether the requirements are satisfied, and/or the capabilities and performance characteristics that the item must satisfy.

**Special assessment bonds:** bonds issued to develop facilities and basic infrastructure for the benefit of properties within the assessment district. Assessments are levied on properties benefited by the project. The issuer's recourse for nonpayment is foreclosure and the remaining debt

becomes the city's direct obligation, repaid from property taxes.

**Temporary notes:** notes are issued to provide temporary financing, to be repaid by long-term financing. This type of bridge financing has a maximum maturity of four years under Kansas law.