

City of Cottonwood Shores

ORDINANCE 1005

**AN ORDINANCE OF THE CITY OF COTTONWOOD SHORES ESTABLISHING A FINANCIAL POLICY; UPDATING TO CORRESPOND WITH CURRENT LAW AND CITY ORGANIZATION, RECORDING CURRENT PRACTICES AS NECESSARY FOR CLARIFICATION OF INTENT; AND PROVIDING FOR OPEN MEETINGS, SEVERABILITY AND RELATED MATTERS.**

**Whereas,** The City of Cottonwood Shores has had a prudent and formal policy in place governing the investment and management of the City's funds and financial resources;

**Whereas,** recent amendments to Chapter 2256, Tex. Gov't Code, establish certain requirements which require minor modification to the existing Investment Policy;

**Whereas,** the City has certain obligations under State law related to the management of City finances and has established certain routines to comply with State laws and to satisfy the needs of the City and City Council.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COTTONWOOD SHORES, TEXAS, THAT:**

**Section 1:** Adoption. This Ordinance amends establishes and adopts the authorized and official financial management policy of the City of Cottonwood Shores, Texas. This policy shall be as set forth in Section 2 of this Ordinance and, for the purposes of administrative efficiency and use, Section 2 may be excerpted and placed in any manuals, reports or documents as the "City of Cottonwood Shores, Texas Financial Management Policy".

A. **History:**

March 03, 2011: amending Ordinance No. 1005, Section 2, C. 12, f, to include all Council Members, and have one Council Member sign checks with one City staff.

March 15, 2011: updated formatting of Ordinance, changed title from Treasurer to Financial Officer, added continuing education requirements for the Financial Officer.

March 20, 2014: added Section 2, C. 13 to designate City check writing and signing.

March 5, 2015: amended bidding requirements

February 16, 2017: revised handling of petty cash, signatories and returned check process

February 8, 2018: amended bid procedures and cash drawer amounts

**Section 2:** City of Cottonwood Shores, Texas Financial Management Policy. The funds and financial resources of the City of Cottonwood Shores shall be managed and invested in conformance with the provisions and requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code, provided that, where the requirements of this policy are more restrictive, the terms, provisions and requirements of this policy shall control.

- A. This policy applies to all financial assets of the City of Cottonwood Shores, and includes all funds listed as follows:

- 1) General Fund;
- 2) Special Revenue Funds;
- 3) Debt Service Funds;
- 4) Enterprise Funds;
- 5) Internal Service Funds;
- 6) Trust Agency Funds

**B. Statement of Cash Management Philosophy:**

- 1) The City of Cottonwood Shores shall maintain a comprehensive cash management program including: the effective collection of accounts receivable, the prompt deposit of receipts to the bank accounts and payment of obligations so as to comply with State Law and in accordance with vendor invoices and the prudent investment of idle funds.
- 2) Procedures shall be maintained to ensure that these guidelines are observed and that timely and accurate information is available to assist City Council in making investment decisions.
- 3) City funds shall be handled in such a manner so as to insure the safety of the principal investment.
- 4) Investment of idle cash shall be made at the highest possible rate of return, consistent with State and Local Laws, taking into account safety and availability. Cash accounts that have frequent transactions may be deposited in transactional accounts in order to facilitate the needed monthly transactions. Deposits will be coded for activity to allow financial tracking.
- 5) Settlement of all investment transactions, except investment pool funds and money market funds must be on a "delivery versus payment" basis.
- 6) Delegation of Authority: The City Financial Officer is responsible for overall management of the City's finances and investment program and is designated as the City's Investment Officer. Accordingly, the City's Financial Officer is responsible for day-to-day administration of the investment program and for the duties listed below:
  - i. The judicious daily balancing of income versus expenses within the framework of the City budget for every fiscal year;
  - ii. Investment of reserves for preservation, liquidity, safety of principal and yield.
- 7) Authorized investments: The funds available for investment in any fund of the City may be invested in the following:
  - i. U.S. Treasury Bills, notes or bonds which are guaranteed as to principal and interest by the full faith and credit of the United States of America:
  - ii. Collateralized or fully insured certificates of deposit at FDIC insured banks in the State of Texas or the United States of America; provided that no security shall be purchased from any person who has not delivered the City an instrument in substantially the form required by 2256.005(k) Texas Government Code;

- iii. Local Government Investment pools.
- 8) Maximum Maturity:
- i. No individual investment will be made for longer than a three (3) year period, except with the prior approval of the City Council.
  - ii. The maximum average dollar-weighted maturity allowed for pooled investments, based on the stated maturity date for the portfolio, shall not exceed sixty (60) days.
- 9) Qualifying Institutions: investments may be made with or through the following institutions:
- i. Federally insured banks located in the State of Texas;
  - ii. Primary government security dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York; and
  - iii. Local Government Investment Pools.
- 10) Collateralization and Safekeeping: The City of Cottonwood Shores will accept as collateral for its certificates of deposit and other evidence of deposit the following securities:
- i. FDIC coverage;
  - ii. U.S. Treasury bills, notes or bonds;
  - iii. State of Texas bonds;
  - iv. Other obligations of the U.S. or its agencies and instrumentalities;
  - v. Bonds issued by other State of Texas governmental entities (city, county, school, special districts), with a remaining maturity of twenty (20) years or less;
  - vi. Securities pledged as collateral must be retained in a third party bank in the State of Texas and the City shall be provided the original safekeeping receipt on each pledged security.
  - vii. The City Council must approve release of collateral in writing prior to its removal from the safekeeping account
  - viii. The financial institution(s) with which the City invests and/or maintains other deposits shall provide quarterly, and as requested by the City, account statements including listings the collateral pledged to the City marked to current market prices. The listings shall include at a minimum, total pledged securities itemized by:
    - 1. name, type and description of the security;
    - 2. safekeeping receipt number par value;
    - 3. current market value and
    - 4. maturity date.
  - ix. Diversification: The City's investments shall be diversified to eliminate the risk

of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The following general constraints shall apply:

1. maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector and
2. maturities selected shall provide for stability of income and reasonable liquidity.

11) Cash Management Plan:

- i. The Financial Officer shall establish a City Cash Management Plan that projects the Cities monthly and yearly cash requirements and flows. This plan shall define the use and interaction of the monthly operational cash accounts (checking accounts) and the investment accounts (savings accounts).
- ii. The Cash Management Plan will project the yearly (and monthly) flow of cash into and out of the City. It will be the basis for managing inter-fund transfers between the fund checking accounts and the reserve accounts (savings accounts). It will project an accurate interaction with the approved budget and any projected shortfalls or excesses.
- iii. The cash management plan will be submitted to Council for informational purposes each time a change occurs.

C. Management:

- 1) The City Financial Officer shall further schedule and cause the City Council to review the Investment Policy of the City during the last calendar quarter of each calendar year.
- 2) The City Financial Officer shall monitor and manage the City's accounts including but not limited to:
  - i. Delegating as many of the daily routines of this responsibility as authority and workload allows to the appropriate designee, but this shall not detract from their full responsibilities described in their job description and/or this policy.
  - ii. Presenting annual fiscal year budget proposals to the City Council in accordance with the guidelines set forth in the "Budget Manual for Texas Cities", monitoring the City's performance against that budget and propose to the City Council amendments to that budget quarterly as called for.
  - iii. Maintaining accounts payable current within 45 days of date of invoices with a goal of keeping this time below 30 days as an operational norm.
  - iv. Monitoring the respective rate of returns of invested reserves on the basis of periodic reports issued by the institutions.
  - v. Making periodic recommendations to City Council for the purpose of maximizing these returns.
- 3) Reports and Review: The City Financial Officer shall prepare and submit to the City Council:
  - i. Monthly Financial Reports to City Council in time for analysis preceding the General City Council meeting on a monthly basis with brief commentary highlighting trends that may

- impact the current budget at any point in time.
- ii. A Quarterly Budget to Actual report submitted to the City Council (within six weeks of the end of the quarter) with an analysis of where potential problems either have or might occur.
  - iii. A quarterly summary report showing a list of investments by City Fund, the market value of each investment, the total value of all investments and cash on hand for each such Fund, the annualized return for such fund for the previous calendar quarter and the projected return for the then current calendar quarter for each City Fund.
- 4) Compliance Audit: In conjunction with the annual yearly financial audit, the City Administrator shall cause the performance of a compliance audit of management controls on the City's finances and to the adherence of this Policy.
- 5) Purchasing Control
- i. Purchasing controls serve as guidelines for the Administration, City Personnel and the City Council to reach responsible and intelligent decisions concerning day-to-day purchasing activities
  - ii. The authority and responsibility for maintaining a centralized purchasing program resides with the City Administrator with the support of every Departmental Head.
  - iii. Each Department Head must approve any purchase within his/her department. The City Administrator then approves all purchases and scrutinizes all invoices for purchased goods and services before passing these to the City Financial Officer for payment. In areas where the City Administrator has the primary purchasing responsibility, the Financial Officer will have the final approval of these purchases. The Mayor will act as the Finance Officer or City Administrator if needed. Purchases above \$5,000 must meet requirements of Section 2, Item C.5.vi.3 before final approval.
  - iv. As a general policy, purchases shall be awarded on the basis of availability, best price, delivery and quality; including the historical reputation and performance of vendors.
  - v. The City Administrator has the duty and authority to request reconsideration of any purchase request if it appears that the interest of the City may be better served.
  - vi. Purchase Requests must be logged in and approved for all proposed expenditures.
    1. Purchases must follow the requirements of the Texas Local Government Code Chapter 253 Purchasing and Contracting Authority of Municipalities as it applies to Type A Municipalities.
    2. The City shall obtain bids for any item over \$5,000 provided:
      - a. There are at least three (3) competitive bidders
      - b. The bidders are qualified per the specifications given for the bid
      - c. In the event three (3) qualified and competitive bidders cannot be identified, or, if advertised, do not respond to the bid advertisement, the City Administrator may solicit such bids that are qualified and responsive and provide documentation that

other bids were not available.

3. Purchases above \$5,000.00 require City Council approval except when associated with Grant purchases previously approved by the City Council as an approval to proceed with the construction on a Grant. The Grant purchasing process must follow the above process or one more rigorous dictated by the Granting Agency.

4. Purchases above \$50,000.00 require: An RFP notice, City Council approval except when associated with Grant purchases previously approved by the City Council as an approval to proceed with the construction on a Grant (The Grant purchasing process must follow the above process or one more rigorous dictated by the Granting Agency) and attempt to achieve a minimum of three (3) sealed bids or through an acceptable government procurement site e.g. Buy Board.

vii. All computer hardware and software must have the approval of the City Administrator prior to the purchase, regardless of the price.

viii. Purchases of new vehicles, regardless of price must follow the sealed bid process unless quotes are obtained through Buy Board or Government contractors.

1. In the event three (3) qualified and competitive bidders cannot be identified, or, if advertised, do not respond to the bid advertisement, the City Administrator may solicit such bids that are qualified and responsive and provide documentation that other bids were not available.

ix. Purchases of used vehicles shall follow the procedures as outlined above.

6) Vendor Relations:

- i. The City Financial Officer shall make every effort to establish and maintain good working relationships with all vendors.
- ii. The City Financial Officer will handle all correspondence with suppliers except when technical or other details make it necessary to delegate such correspondence to another department.
- iii. Prices and other specific information received from vendors shall be considered confidential. Quotations received from one supplier will not be divulged to another.

7) Gifts and Gratuities:

- i. City employees are prohibited from soliciting or accepting any rebate, money, entertainment, gifts or gratuities from any person, company, firm or corporation to which any purchase order or contract is, or might be, awarded.
- ii. The City may terminate, at no cost to the City, any purchase contract if it is found that gifts or gratuities were offered to a City employee. The City may also take disciplinary action, including dismissal, against a City employee who solicits or accepts gifts or gratuities.

8) Award of Bid Contracts:

- i. The City Council will award bid contracts upon the recommendation of the City

Administrator.

9) Expediting:

- i. Expediting or "follow-up" on the delivery of materials on order will be accomplished by the Department Head.
- ii. Any information other Departments may acquire concerning the delivery status of purchased goods and services must be passed on to the Department Head.

10) Tax Exemption:

- i. The City of Cottonwood Shores, a Municipality, is exempt from all City, State and Federal sales and excise taxes.
- ii. The City's Federal Identification number is 74-2518756.

11) Lines of Credit:

- i. Only the City Administrator and the City Financial Officer can set up trade account lines of credit for the City without prior City Council authorization.
- ii. Lines of credit with banks and other financial institutions must be authorized by Council Resolutions or Ordinances.

12) Cash Handling Procedures:

- i. Only bonded employees are authorized to handle City cash.
- ii. The Cash Register is maintained by the Utility Clerk.
- iii. Cash Register:
  1. The City will maintain an appropriate balance in the Cash Register at all times for the convenience of the City's customers and residents. The daily beginning balance will not exceed \$300.00.
  2. The Cash Register shall be reconciled daily and discrepancies will be reported to the Mayor.
  3. Receipts are handed to the City Financial Officer for safekeeping immediately following reconciliation, together with the reconciliation summary printout, initialed by the Utility Clerk and double-checked by the City Financial Officer. If possible, the day's receipts will be deposited in the appropriate bank account on the same day as received. If receipts are not deposited, all will be placed in the City safe at the end of the day and at no time taken from the building.
  4. The Cash Register shall remain locked when unattended.
  5. If the previous day's receipts are not deposited on the receipt day, the Financial Officer shall return the previous day's receipts to the Utility Clerk at the beginning of the next following business day for preparation of deposits which shall be made by the City Financial Officer or their designate daily before the 4:00 p.m. bank cut-off. Any daily receipts not deposited on the receipt day will be kept in a secure safe overnight. Any daily receipts not deposited on the receipt day will be kept in a secure

safe.

v. Petty Cash:

1. The City shall maintain a cash register Petty Cash balance of \$300.00.
2. Petty Cash is included in the cash register at the front desk. In the event that an employee needs a cash reimbursement of less than \$50.00, they will need to fill out a cash reimbursement form obtained from the Utility Clerk and attach the receipt to it. Petty Cash requests must be approved by the City Administrator or Mayor. The Utility Clerk will then distribute the money to the person who filled out the reimbursement and make sure the cash reimbursement form and receipt are given to Accounts Payable. A check will be written and given to the Utility Clerk and signed by the person who drops off the deposit at the bank.

vi. Borrowing and / or any personal use of either of these funds is not allowed.

vii. Receipts are handled in accordance with the form of payment:

1. Customers may remit payments through the U.S. Mail, drop payments in the outside drop-box, pay at the City Hall counter during regular business hours or pay credit card in person, through the website or by phone.
2. All mail is picked-up at the City's mail receptacle between 10:00 a.m. and 2:00 p.m., Monday through Friday.
3. The outside drop-box is emptied daily, Monday through Friday, between 8:00 a.m. and 9:00 a.m. and again on Friday afternoon.
4. The Utility Clerk opens and sorts the mail and drop-box receipts on these schedules stamping checks with the bank endorsement stamp for depositing and date-stamping other mail in this process.
5. Receipts are separated from other mail and processed by the Utility Clerk by crediting respective accounts and recording them in the Cash Register. Mail is handed to the City Administrator for review and distribution.
6. Cash receipts are issued for all cash payments received in person.
7. Cash receipts are retained in a separate bank bag, in the locking cash drawer of the Cash Register, until the end-of-day reconciliation. The receipts are then deposited in the appropriate bank account or secured in the City safe until the next business day.
8. Cash receipts are reconciled against the cash receipt book and cross-checked against cash deposits.
9. Check receipts are reconciled against the daily receipts report and cross-checked against deposits.
10. Adjustments of customer accounts, other than credits for payments received, and debits must be authorized by the City Administrator and be explained in written detail.
11. Waving of late charges must have prior approval of the City Administrator.

viii. Returned Checks:



## ORIGINAL

1. When a check is returned by the bank, (after being resubmitted twice by the bank) due to insufficient funds, the customer is notified by phone and is charged a \$30.00 returned check processing fee.
  2. Collection of insufficient funds checks will be by either:
    - a. Replacement with alternative payment method (cash, credit card, money order, cashier's check); or
    - b. Collection is turned over to a contracted collection agency.
  3. Should a customer cause a second returned check; his account will be placed on a no-check-acceptance list. From that time forward, the customer must pay with cash, credit card or money order.
- ix. Credit Cards Payments received:
1. A 3% plus \$0.35 cents convenience fee is added to any payment by credit card.
  2. Credit Cards accepted are Visa, MasterCard, American Express or Discover
- x. Credit Cards issued to employees:
1. City of Cottonwood Shores credit cards issued to employees shall not be used for the personal convenience of the employee.
  2. Use of City credit cards shall be closely monitored by the City Financial Officer and must be accompanied by a receipt and an approved purchase order if the amount charged is over \$100.00 except in the case of an extreme emergency.
  3. Any unauthorized use is subject to disciplinary action up to and including termination of employment.
  4. In addition, unauthorized charges may be disallowed by the City Council or City Financial Officer and the employee shall be responsible for clearing the debt illegally incurred for the City.
- xi. Continuing Education and Training:
1. The City Financial Officer shall
    - a. become and remain familiar with the requirements of Chapter 2256, Texas Government Code;
    - b. advise the City Council to assure the City's compliance with this Policy and State Law; and
    - c. ensure that the Officers and Council members of the City are effectively instructed in their fiduciary rights and responsibilities.
    - d. attend training as required by the Texas Government Code.
- 13) Check Writing and Signing
- i. The Financial Officer will collect and compile all invoices, standing bills and payroll in preparation of writing checks. A monthly payment schedule will be set by the Financial Officer.

- ii. The Accounting Clerk will prepare checks on the above schedule and forward them to the approved signers.
- iii. The approved signers are the Mayor (and/or Mayor Pro Tem) and one of the other Council Members
- iv. Signatories on all the City's Depository accounts shall be the Mayor and all of the elected members of the City Council.
- v. City checks must be signed by two (2) separate signatories listed above in (iv).

**Section 3:** Conflicting Ordinances

All Ordinances or parts of Ordinances in conflict with this Ordinance are hereby amended to the extent of such conflict and shall hereinafter read and be interpreted as provided herein. To the extent necessary to accomplish the purposes of this ordinance any term, condition or provision of any other Ordinance of the City that is in conflict herewith is hereby repealed to the extent of such conflict.

**Section 4:** Severability

If any provision of this ordinance or the application of any provision to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications thereof which can be given effect without the invalid provision or application, and to this end the provisions of this Ordinance are declared to be severable.

**Section 5:** Open Meetings

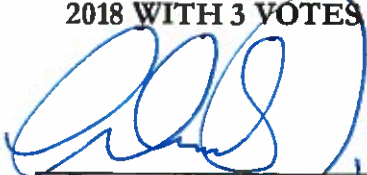
It is hereby officially found and determined that the meeting at which this ordinance is passed was open to the public as required and that public notice of the time, place and purpose of said meeting was given as required by the Open Meetings Act, Chapter 551, Local Government Code.

**Section 6:** Effective Date

This Ordinance shall become effective upon passage and adoption in accordance with State Law.

ORIGINAL ORDINANCE PASSED AND APPROVED by the City Council of Cottonwood Shores, Texas, at a meeting on the 15<sup>th</sup> day of March 2012 with 4 votes in favor, 0 votes against and 0 abstentions.

**AMENDED ORDINANCE PASSED AND APPROVED BY THE CITY COUNCIL OF COTTONWOOD SHORES, TEXAS, AT A MEETING ON THE 8<sup>TH</sup> DAY OF FEBRUARY, 2018 WITH 3 VOTES IN FAVOR, 0 VOTES AGAINST AND 0 ABSTENTIONS.**

  
Donald Orr, Mayor



Attest:

  
Sheila C. Moore  
City Administrator/City Secretary