Attachment No.2

CITY OF POMONA

CONSOLIDATED FISCAL POLICIES AND ADMINISTRATIVE PROCEDURES

ADOPTED BY CITY COUNCIL

RESOLUTION NO. 2023-06

FEBRUARY 6, 2023

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II. INTRODUCTION

A. Purpose and Scope of Consolidated Fiscal Policies

The purpose of the consolidated fiscal policies is to guide the City's financial planning to meet financial obligations while providing high quality services.

B. Approving Authority

This consolidated policy document is designed and structured to develop principles that guide the financial administration of the City so that taxpayers can look forward to stable, equitable and affordable service delivery. This document includes the following City Council Policies (CCP) and Staff Administrative Procedures (SAP) as indicated below:

1. Fiscal Operations
    a. Budget Adoption and Administration (CCP)
    b. Cash Management (SAP)
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Any amendments to City Council fiscal policies shall require City Council approval. Amendments to staff administrative procedures shall require only City Manager approval.

C. Consolidated Fiscal Policies Overview

This set of Consolidated Fiscal Policies are intended to establish guidelines for the City's overall fiscal planning and management. These policies are intended to foster and support the continued financial strength and stability of the City as reflected in its financial goals. The City seeks to attain the following financial goals:

- Deliver quality services in an affordable, efficient and cost-effective manner;
- Maintain an adequate financial base to sustain a sufficient level of municipal services, thereby preserving the quality of life in the City of Pomona;
- Provide essential public facilities and prevent deterioration of the City’s public facilities and its capital assets;
- Have the ability to withstand local and regional economic fluctuations, to adjust to changes in the service requirements of our community, and to respond to changes in Federal and State priorities and funding as they affect the City's residents;
- Protect and enhance the City’s credit rating in the financial community to assure the City's taxpayers the City government is well managed and financially sound;
- Ensure the legal use of all City funds through adherence to the highest accounting and management practices as set by the Government Finance Officers’ Association standards for financial reporting and budgeting, by the Governmental Accounting Standards Board other professional standards, and by adherence to State Law; and
- Provide transparency in the financial operations of the City.

To achieve these goals, it is important to regularly engage in the process of financial planning, including reaffirming and updating these financial policies. Policy changes will be needed as the organization continues to change along with the services and service level it provides to its residents.

III. FISCAL OPERATIONS

The purpose fiscal operations policies are to provide staff guidance on achieving balanced budgets, budget preparation and ongoing administration, expenditure and revenue controls, user fee and service cost recovery, optimized staffing, cash management, and accurate financial reporting that is consistent with professional standards.

A. Budget Adoption and Administration (City Council Policy)

1. Budgeting Philosophy

Fiscal planning refers to the process of identifying resources and allocating those resources among competing purposes. The primary vehicle for this planning is the preparation, monitoring and analysis of the City's budget. It is increasingly important to monitor the performance of the programs competing to receive funding.

The operating budget will be based on the principle that current operating expenditures, including debt service, will be funded with current revenues creating a balanced budget. The City will not balance the current budget at the expense of meeting future years' expenditures. For example, accruing future years' revenues or rolling over short-term debt to avoid planned debt retirement.

The City's annual budget will include contingency appropriations in the General Fund sufficient to provide for unanticipated increases in service delivery costs and needs that may arise throughout the fiscal year. Expenditures from this contingency appropriation can only be undertaken with approval of the City Manager and only if funds are not available in the department requesting the contingency funding.

2. Organization of the Budget

The Budget shall consist of two volumes: the Operating Budget and the Capital Improvement Program (CIP). The Operating Budget shall provide historical trends of summary level information and contains line–by-line detail regarding operating expenditures and revenue estimates for the prior year, current year and budget year. Operating expenditures are categorized into seven classifications within the Operating Budget. These are Staffing, Controllable Expenses, Required Expenses, Utilities, Allocated Costs, Capital and Transfers Out.

The CIP document provides a summary of current and future planned projects, basic descriptions of each project, the anticipated funding source and the scope of work to be performed. CIP improvements are generally major facility or infrastructure improvement projects managed by the Public Works Department. Because of the nature and scope of the CIP improvements, in most instances, the construction of such improvements will take place over more than one fiscal year.

3. Budget Process

a) Pomona operates on an annual budget cycle. The one-year operating budget is adopted each June and becomes effective July 1st. The City Council annually reviews and revises the Five-Year Capital Improvement Program. This approach to financial planning gives the City Council the opportunity to set policy and provide direction for operational and capital budgets in an efficient and productive manner. Sections 1002 through 1011 of the Pomona City Charter set forth the legal requirements for the preparation and adoption of the City Budget and Capital Improvement Program. The Charter requires the City Manager submit to the City Council a proposed budget at least 45 days prior to the beginning of the fiscal year. It further requires the City Council set a time for a public hearing and that a notice of such hearing be published in a local newspaper no less than two weeks prior to the hearing date. In the event the budget is not adopted prior to the first day of the fiscal year (July 1), the amounts appropriated for current operations for the prior fiscal year will be deemed adopted for the current fiscal year on a month-to-month basis until such time as the new budget is adopted.

b) On an annual basis, the Finance Department, in consultation with the City Manager, shall provide a budget schedule outlining the preparation timelines for the proposed budget. Budget packages for the preparation of the budget, including forms and instructions, shall be distributed to City departments in a timely manner for the Department's completion. Department officials shall prepare and return their budget proposals to the Finance Department, as required in the budget preparation schedule.

c) The City Manager shall submit a list of Budget Guiding Principles to the City Council for consideration on an annual basis. These principles will be used to guide the development of the coming year's budget.

d) The City will prepare a budget in accordance with the guidelines established by the Government Finance Officers Association in its Distinguished Budget Award Program. The proposed budget will contain the following:

1) Revenue estimates by major category, by major fund;
2) Expenditure estimates by program levels and major expenditure category, by major fund;
3) Estimated fund balance by major fund;
4) Debt service by issue detailing principal and interest amounts by fund;
5) Proposed personnel staffing levels;
6) A detailed schedule of capital projects; and
7) Any additional information, data, or analysis requested of management by the City Council.

e) One-time revenue sources or unexpected revenue should be placed in reserves and not used for operating expenses. Once the reserve balance exceeds the set policy amount, one-time revenue may be used for one-time expenses. If the one-time expense results in ongoing operating costs, funding for the ongoing costs must be determined before the one-time funds are allocated.

f) All authorized regular positions will be fully funded at the start of the budget preparation cycle. During the budget development process a vacancy factor or allowance for identified vacant positions, either for the full year or partial year, may be incorporated into the proposed budget if fully disclosed within the proposed budget document and accompanying staff report. Department directors shall have input to any reductions in position funding, other than minor corrections, prior to removal or adjustment. If a vacancy factor is used, the amount established will be set in a separate line item number within the personnel category of each department affected. Salary savings from unanticipated vacancies may be used at the discretion of the Department Director with approval of the City Manager.

g) At no time shall the number of regular full-time employees on the payroll exceed the total number of positions authorized by the City Council unless the position is related to a long-term absence of the incumbent and temporarily filled on a 'limited-term' basis. All personnel actions shall be in conformance with applicable federal and state law and all City ordinances and policies.

h) Although alternatives for improving the efficiency and effectiveness of the City's programs and the productivity of its employees will be considered on a continuous basis, a more formal review shall be performed during the budget process. Duplication of services and inefficiency in service delivery should be eliminated wherever they are identified. Where practical, this will be accomplished by conducting performance audits of department operations on a rotating basis.

i) Budget amounts for allocations, insurances, fleet operations, administrative service charges, telephones, lease payments, debt payments, and the like, shall be calculated by the Finance Department. Any movement of these expenses from one department to another will also result in a movement of the related budget with City Manager approval and department director notification.

j) New services or enhancements to existing services will be funded by one or a combination of the following:

   1) A reduction in the cost of existing services. This may include a reallocation of resources from one area to another
   2) An increase in ongoing revenues once defined Fund Balance levels and contributions to Capital Improvement efforts and equipment replacement have been met.

4. Staffing

a) A listing of current authorized staffing shall be reviewed annually by the City Manager and submitted with the annual budget.

b) Prior to requesting additional personnel, Directors shall explore the viability of the following alternatives:

   1) Use available technology that provides for self-service without a loss of internal controls or increase to fraud opportunities;
   2) Reduce existing support positions and replace with front line service delivery positions; and
   3) Consider outsourcing

c) Requests for new positions that increase the authorized full-time equivalent budgeted position list must be submitted as supplemental budget requests during the budget preparation process along with a proposed funding source for the new position.

d) Under the direction of the City Manager, a position may remain vacant and unfunded for two years. If a position is vacant and or unfunded for two years, it shall be deleted from the authorized staffing list with the adoption of the annual budget.

5. Long-Range Financial Forecast (LRFF)

a) Strategic planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring available revenues and future financial obligations. The Finance Department will prepare and present to the City Council a Long-Range Financial Forecast that evaluates known internal and external issues impacting the City's financial condition. The LRFF is intended to help the City achieve the following:

   1) Attain and maintain financial sustainability;
   2) Obtain sufficient long-term information to guide financial decisions;
   3) Identify sufficient resources to provide programs and services for the stakeholders;
   4) Identify potential risks to on-going operations in the long-term financial planning process and communicate these risks on an annual basis;
   5) Establish mechanisms to identify early warning indicators; and
   6) Identify changes in expenditure or revenue structures needed to deliver services or to meet the goals adopted by the City Council.

b) The LRFF will forecast revenues, expenditures, and the financial position of the General Fund Reserves at least five years into the future or longer where specific issues call for a longer time horizon. The LRFF will identify issues that may challenge the continued financial health of the City, and the plan will identify possible solutions to those challenges. Planning decisions shall be made primarily from a long-term perspective and structural balance is the goal of the planning process.

c) If a deficit is projected during any fiscal year, the City will take steps to reduce expenditures, increase revenues or, if a deficit is caused by an emergency, consider using Fund Balance, to the extent necessary to ensure a balanced budget at the close of the fiscal year. The City Manager may institute a cessation during the fiscal year on hiring, promotions, transfers, and capital equipment purchases. Such action will not be taken arbitrarily and without knowledge of the City Council.

6. Administration of the Annual Budget

Revenues and Collections

The City will maximize and diversify its revenue base to raise sufficient revenue to support essential City services and to maintain services during periods of declining economic activity. City services providing private benefits should be paid for by fees and charges as much as possible to maximize flexibility in the use of City general revenue sources to meet the cost for services of broader public benefit. The City's overall revenue structure will be designed to recapture some of the financial benefits resulting from City economic and community development investments. Revenue collection efforts that produce positive net income for City service delivery will be the highest budget priority.

Departments that primarily or exclusively operate with non-General Fund revenue will minimize reliance on General Fund support for discrete programs that are not supported with fees.

a) The General Fund revenue base will be balanced between taxes, intergovernmental shared revenues, and other revenue sources such as licenses and permits, user fees, and other miscellaneous revenues.

b) The City will maintain a diversified and stable revenue base to shelter it from economic changes or short-term fluctuations in any one revenue source by doing the following:

   1) Establishing new charges and fees as needed and as permitted by law;
   2) Pursuing legislative change, when necessary, to permit changes or establishment of user charges and fees;
   3) Aggressively collecting all revenues, late penalties and related interest as authorized by the California Statutes; and
   4) Setting and maintaining fees with a goal of full cost recovery. (See Section 6. h) – User Fee and Service Charge Cost Recovery).

c) The City will monitor all taxes to ensure they are equitably administered and collections are timely and accurate.

d) Department Directors are responsible for the administration of departmental revenue sources including collection, regular monitoring, and fee updates. It is the responsibility of Department Directors to immediately notify the Finance Director and the City Manager of any exceptional circumstances that could cause a departmental revenue to fall 10% or more below the budgeted amount. Revenue should be monitored no less than monthly.

e) The City should pursue intergovernmental aid for those programs and activities that address a recognized need and are consistent with the City's long-range objectives. Any decision to pursue intergovernmental aid should include the consideration of the following:

   1) Present and future funding requirements;
   2) Cost of administering the funds;
   3) Costs associated with special conditions or regulations attached to the grant award; and
   4) Cash flow of the aid.

f) The City will attempt to recover all allowable costs (direct and indirect) associated with the administration and implementation of programs funded through intergovernmental aid. In the case of state and federally mandated programs, the City will attempt to obtain full funding for the service from the governmental entity requiring the service be provided.

g) Grants & Donations
   The City will avoid using grants to meet ongoing service delivery needs. Prior to a grant application submittal, or acceptance if an application is not required, all grants will be reviewed by the Finance Department to ensure compliance with state, federal and City regulations. The City will budget expenditures for grant-funded programs only after receipt of the grant award or letter of commitment and only for the amount of the grant award to be expended within the fiscal year.

h) User Fee and Service Charge Cost Recovery
   User fees and charges are payments for purchased, publicly provided services that benefit specific individuals. The City relies on user fees and charges to supplement other revenue sources to provide public services.

   1) All user fees will be established in compliance with Propositions 218 (1996), Proposition 26 (2011), and any succeeding laws that governs the establishment of fees for services.
   2) The City may establish user fees and charges for certain services provided to users receiving a specific benefit.
   3) User fees and charges will be established to recover all direct and indirect costs of service, unless the percentage of full cost recovery has been reduced by specific action of the City

Council. It is recognized that occasionally competing policy objectives may result in reduced user fees and charges that recover only a portion of service costs.

4) The City will attempt to recalculate the full costs of activities supported by user fees to identify the impact of inflation and other attendant costs on a yearly basis in conjunction with the budget process.

i) Self-Financed Programs
The City has several self-financed programs such as Water, Sewer, and Refuse. The costs for self-financed programs should be fully funded by user fees. The City's self-financed programs are to be fully funded by user fees including overhead, equipment replacement, debt financing, transfers to reserves and capital expenditures.

Expenditures

a) Expenditures will be controlled by an annual budget at the fund level. The City Council shall establish appropriations through the budget process. The Council may increase/decrease these appropriations as necessary through the budget amendment process.

b) The City will maintain a purchasing system that provides needed materials in a timely manner to avoid interruptions in the delivery of services. All purchases shall be made in accordance with the City's purchasing policies and procedures, City of Pomona Code Article VII, and applicable state and federal laws. The City will endeavor to obtain supplies, equipment and services as economically as possible.

c) Expenditures will be controlled through appropriate internal controls and procedures in processing invoices for payment.

d) During the budget year, Department Directors and their designated representatives may authorize only those expenditures that are based on appropriations previously approved by City Council action, and only from accounts under their organizational responsibility. Any unexpended appropriations, except valid encumbrances such as commitments already made, expire at fiscal year-end unless specifically reappropriated by the City Council for expenditure during the ensuing fiscal year. Department Directors shall not authorize expenditures above budget appropriations in any given expenditure Classification within their purview, without additional appropriation or transfer as specified below. Appropriations may be transferred, amended or reduced subject to the following limitations:

e) New Appropriations. During the Budget Year, the City Council may appropriate additional funds, as it deems appropriate, by a City Council Budget Amendment. City Council approval is required for any changes that result in additional personnel and/or budget changes that alter the total appropriation within a fund. This process must be completed prior to issuance of purchase order or payment of demand.

f) Transfers. Department Director and Finance Director approval are required for a transfer from one line item account to another within the same program and expense category (e.g. Staffing to Staffing). Additionally, City Manager approval is required when transferring from one program to another or from one expense category to another (e.g. Staffing to Non-Staffing).

g) All unexpended and unencumbered appropriations for the operating budget will be canceled on June 30 of each fiscal year. All appropriations in the Capital Improvement Budget for projects currently underway and remaining unexpended at June 30th, as approved by the City Manager, will be appropriated to those projects in the following fiscal year CIP Budget. Incomplete projects may be reappropriated by the City Council during the Budget process or by separate Council action.

h) A mid-year report on the status of the major funds budgets will be prepared by the Finance Department and presented to the City Council within 75 days of the mid year.

Management Authorization and Responsibilities

Department Directors are required to monitor and control expenditures to prevent exceeding their total departmental expenditure budget as well as monitor departmental revenues. It is the responsibility of Department Directors to immediately notify the Finance Director and the City Manager of any exceptional circumstances that could cause a departmental expenditure budget to be exceeded or revenue estimates not be reached.

Management must ensure compliance with the legally adopted budget. In addition, purchases and expenditures must comply with legal requirements.

B. Cash Management (Staff Administrative Procedure)

This policy sets forth procedures that govern the handling, deposit and safekeeping of City cash. Furthermore, this policy is intended to supplement other City personnel policies that govern rules of conduct and performance in the workplace.

1. Applicability

The Finance Department is responsible for providing an accurate accounting of all City cash, including revenues and expenses. Professional financial and accounting practices dictate that all funds received by the City be promptly deposited in a City bank or investment account. This ensures that City cash is accounted for and available for investment or an authorized expenditure. The term “City Cash” applies to currency, coin, checks, money orders, credit, charge and debit card payments, gift cards, other electronic payment media and other negotiable instruments payable in money to the City and/or Successor Agency.

The City's central cashiering function is performed by the Finance Department; however, other departments will receive payment for permits, registrations, publications, or other items. As such, employees that have been authorized to receive City cash share the stewardship of financial assets for the City across departmental divisions.

2. Authority of the City Treasurer

The City of Pomona Municipal Code, Article VII. Section 704 and 705 define the City Treasurer as the Director of Finance. By this policy, the duties of the City Treasurer shall include coordinating, reviewing, evaluating, and recommending improvements to administrative and financial internal control systems and procedures to ensure audit compliance; directing and participating in the preparation of a variety of records and reports ensuring timeliness, accuracy, and compliance with appropriate laws, ordinances, and regulations. With respect to cash handling, this shall include the following:

a) Receipt, handling and deposit by City officers and employees of City cash into the City Treasury;
b) Method of documentation on all such transactions;
c) Inspection of departmental cash records, including overages or shortages;
d) Inspection of departmental practices and procedures in handling City cash; and
e) Contracting with agents to collect City cash and their collection procedures.

The City Treasurer may enforce these rules through on-site inspections; inspection of transaction records, or any other means deemed appropriate to protect City assets. In the event of noncompliance by a department or office, it could be required that payments to the City be received at his/her office.

3. General Cash Controls

a) The number of employees with access to cash funds shall be limited to assure internal control.

b) To the extent staffing levels permit, separation of duties from the function of custodian of cash balances and the accounting and record keeping of the same shall be maintained.

c) Where staffing levels do not permit separation of duties, compensating controls such as strict individual accountability and thorough management review and supervision shall exist. Authorized personnel not assigned the custodial responsibility shall periodically examine, count or perform other reviews of cash funds.

d) Physical protection of funds through the use of bank facilities and locked cash boxes or drawers shall be practiced at all times.

e) City Cash on the premises will be held to an absolute minimum to ensure safety and maximize return on investments.

4. Cash Receipting

a) The Finance Department performs the central cashiering function therefore all evidence of deposits, i.e. deposit slips and department revenue summaries, shall be forwarded to the Finance Department as soon as possible to assure timely and proper credit in the receipting process.

b) All departments receiving City cash shall have a permanent collection record, such as a report from a payment processing system, that has the record of transactions including voids, refunds, or cancellations. All revenues collected over the counter shall have a receipt issued at the point of sale or collection whether handwritten or electronically generated

c) All currency in the amount of twenty (20) dollars and above shall be checked with a counterfeit money detector pen prior to acceptance to verify the bills are not counterfeit.

d) Departments receiving checks as payments shall require the maker of the check to make it payable to "City of Pomona". Under no circumstances shall a check for the City be made payable to an individual or left blank.

e) Each check shall be inspected to ensure the following:
   1) Current date (postdated checks shall not be accepted);
   2) Proper signature;
   3) No alterations;
   4) Bank name and routing number printed on check;
   5) If temporary check, payer's name and address written on check;
   6) Not a third party check; and
   7) Written amount matches numeric amount.

f) No checks shall be cashed except petty cash checks. If a petty cash check is being cashed, the employee's identification number must be written on the check and staff must verify it matches the individual presenting the check.

   1) All steps of each counter transaction must be completed, including steps to enter the transaction in the accounting system and to place the receipts in a secured location before a new transaction is started.

5. Overages and Shortages

a) It is the responsibility of the cash handler to ensure cash on hand equals the change fund plus actual receipts at all times.

b) All shortages and overages shall be reported to the Finance Department immediately.

c) All cash overages and shortages, as well as any known circumstances surrounding the overage/shortage, shall be documented within one (1) business day as well kept on file by the reporting department.

6. Theft or Loss

a) Once a theft or loss has been identified, it shall be immediately reported to the Department Director, City Treasurer, and the Pomona Police Department. Do not conduct any type of investigation or discuss with other staff prior to notification of the proper authority.

b) All theft or loss shall be documented in a memorandum to the Finance Director within one (1) business day as well as kept on file by the reporting department

7. Deposits

a) The general operating standard for deposits of City cash to the bank shall be within twenty-four (24) hours or the next business day of receipt of those funds. Departments shall weigh reasonableness and practicality versus security in determining the timing for the deposit of small amounts. All deposits not made daily shall be held in a secured location such as a safe.

b) All receipts of City cash must be deposited with the Finance Department in accordance with this Policy and the cash handling procedures of the department that have been approved by the City Treasurer.

c) All security and bid deposits or escrow funds received in cash shall be treated as City cash and deposited accordingly.

d) Departmental receipts shall never be used to replenish petty cash, other funds, or for the purchasing of items.

8. Petty Cash

a) Petty cash funds shall be approved by the Department Director and established by the issuance of a check from the City's Accounts Payable Division restricted to a level appropriate to conduct City business in an efficient and responsible manner.

b) Petty cash is subject to audit at any time throughout the fiscal year. If such audits result in findings, petty cash funds can be taken away from the Department.

c) Petty cash transactions shall be subject to the same authorized expenditure controls as any other invoice presented for payment through accounts payable. For travel reimbursements, see the City's Travel Policy.

d) Once established, petty cash funds shall be maintained on an imprest basis, that is, the amount of the fund will remain constant with the custodian of the fund requesting a reimbursement check from the Accounts Payable Division for amounts disbursed.

e) Any funds taken from petty cash must have a completed authorized petty cash voucher. A check will be issued only upon the presentation and surrender of satisfactory evidence of such disbursements. The amount of the reimbursement will always be the exact amount of the aggregated disbursements made from the fund.

f) Reconciliation and reimbursements will be made as frequently as the fund requires replenishment, but no less than monthly.

g) When replenishing petty cash, put a copy of the petty cash recap in the petty cash box as backup for the vouchers that have been sent to the Finance Department.

h) If a petty cash refund check is being cashed, the employee's identification number must be written on the check and staff must verify it matches the individual presenting the check.

i) Personnel authorized by the City Treasurer can make unannounced counts of petty cash and /or change funds at any time.

9. Change Funds

a) Change funds shall be established and controlled in the same manner as petty cash funds; however, change funds are strictly used for making change for customers and as such are revolving funds that require no replenishment.

b) There shall be no commingling of petty cash or cash receipts with change or other working funds.

c) When change funds are no longer needed to conduct the business for which they were established, the funds shall be deposited with the Finance Department as soon as possible.

d) Change funds established for any reason shall be used only for the purposes of conducting legitimate City business and not for personal use even if reimbursed.

e) No checks shall be cashed from change funds.

10. Check Cashing Policy

No checks shall be cashed with the exception of petty cash replenishments as outlined above.

11. Returned Checks

a) Occasionally a deposited check may not clear the bank for one or several reasons; such as non-sufficient funds, account closed, stop payment, funds held, stolen checks, forgery, endorsement, or signature. The Finance Department assumes responsibility for collections with cooperation from the receipting department.

b) A returned item fee will be assessed by the Finance Department on each item returned by the bank.

c) The City Treasurer has the authority to refuse the acceptance of checks as deemed necessary.

12. Refunds

a) Refunds will only be made to the original entity (person or company) that submitted the original payment to the City.

b) Refunds of payments that were originally paid by credit card will be refunded back to the payee.

13. Foreign and Mutilated Currency

a) Foreign currency and coin shall not be accepted. Only currency and coins issued by the United States Federal Reserve Board are legal tender. Traveler’s checks must state “U.S. Dollars”.

b) No mutilated currency or coin, including bent coins, shall be accepted.

14. Banking Services and Account Opening Policy

a) The Finance Department is responsible for the City of Pomona’s banking relationships.

b) Opening new or closing bank accounts must be approved by the City Treasurer.

15. Written Procedures

a) It is required that written procedures be developed and maintained by each department associated with the City that handles City cash. Departmental procedures must be approved by the City Treasurer.

b) Written procedures shall be consistent with this policy and minimally include:
   1) Authorization of person(s) to collect City cash;
   2) Off-site cash collection procedures;
   3) Maintenance of receipt logs;
   4) Security and reconciliation of City cash;
   5) Individual cash drawers for each cash handler;
   6) Cash handlers must only accept and receipt funds using their individual cash drawer;
   7) Processing of City Cash received in the mail;
   8) Preparation, approval, and transmittal of City cash to the Finance Department;
   9) Over/short procedures consistent with this policy;
   10) Procedure to notify the appropriate City authority in the event of loss or theft; and
   11) City cash must never be left out in the open or unattended.

16. Training

All staff shall be familiar with this cash handling policy and must acknowledge receipt of the policy using the attached form.

a) All staff that handles City cash shall be trained on the Cash Handling Policy by the Finance Department and be trained on cash handling procedures by the department.

17. Credit Cards and P-Cards

All credit card transactions will be compliant with the Payment Card Industry and the City's current P-Card Policy, which include the following safeguards:

a) Security
   1) Credit card information can only be taken in person or by phone.
   2) Credit card information must be treated as confidential and paper containing credit card data must be physically secured (e.g. locked in a locker, cabinet, desk, storage bin).
   3) Credit card information shall not be taken over email at any time.

b) Storage
   1) Credit card information should not be stored on the computer or on a memory drive at any time.

2) Printed reports containing cardholder data are to be physically retained, stored or archived only within secure City of Pomona office environments, and only for the minimum time deemed necessary for their use.

c) Destruction
Credit card information may only be destroyed by shredding and in accordance with the Records Retention Policy.

18. Violations
Any employee found to have violated this policy may have his/her cash handling authorization limited or revoked completely and may be subject to formal disciplinary action up to and including termination from City employment in accordance Personnel Rules and Regulations.

19. Policy Review

a) The Finance Department shall perform a review of all City cash handling policies, procedures, functions and processes on a regular basis, but at minimum of every two years.

b) The City's independent auditors shall review the City's cash management controls through the course of their annual audits as needed.

20. Liability for Loss as Between Department and City Treasurer
As between a department and its officers and the City Treasurer, the department has primary responsibility for care and liability for loss of City Cash in its custody until deposited in the City Treasury or entrusted to a cashier approved by the City Treasurer; and the City Treasurer thereafter.

Compliance with the City Treasurer's rules and procedures, approved by the City Treasurer, establishes a presumption that a City department or office exercised due diligence in its custody and care of City cash.

C. Procurement Card (P-Card) Program Policy and Procedures

1. Purpose and Scope
In the constant pursuit of improving the way the City does business, promote vendor acceptance and operational efficiency, Finance is initiating a Procurement Card (P-Card) Program. The objective is to streamline the procurement process for non-reoccurring, small-dollar purchases

(under $3,000). Using the P- Card to make purchases for small-dollar amounts will increase supplier acceptance, improve timely delivery of products, and reduce business-related costs.

The cards are graphically customized to avoid confusing it with other personal credit cards. In all other respects, this is considered a regular VISA card and can be used at merchants who accept credit cards. The P- Card must not be used to circumvent the Purchasing Code and administrative policies and procedures.

NOTE: THIS P-CARD AT NO TIME IS TO BE USED FOR PERSONAL PURCHASES!

Approving Authority – Finance Director

Two types of P-Card categories have been implemented:

1) Personalized; and
2) Department.

Each category has a set of internal controls, policies and procedures. Four levels of participants have been established:

1) Cardholder;
2) Department Approver (hereinafter referred to as the “DA”);
3) Department Program Administrator (hereinafter referred to as the “DPA”); and
4) Purchasing Program Administrator (hereinafter referred to as the “PPA”).

All participants must attend mandatory training and sign a “Procurement Card User Agreement” in order to participate in the Program.

The P-Card has predetermined limits for all card transactions. This limit is verified each time the card is used. If the Cardholder exceeds the limits, the authorization for the transaction is denied. The authorization ensures that the purchase is within the program spending limits and merchant codes.

Intentional use of the credit card for other than "Official Use Only" will be considered an attempt to commit fraud against the City of Pomona. Proof of such fraud will result in immediate cancellation of the card and will be reported to Human Resources for further investigation.

The Program management is facilitated through a web-based system. Dependent upon the Participants authorization, they are able to setup new users, set spending limits, restrict merchant codes, review and approve transactions, reconcile statement of accounts, run reports and make changes to cardholder information. Additionally, the system will integrate with the City's accounting system and automate account allocation process into the general ledger. Reconciliation and payment will occur on a weekly basis.

The following policies and procedures define the Program's internal controls and provide set-by-step procedures for all program participants.

POLICY

2. Controls

Program controls exist for the overall P-Card Program:

- Spending limits on a per transaction basis
- Merchant Category Code (MCC) restrictions
- Reporting to track and monitor various types of spend activity
- P-cards have customized graphics to distinguish it from other credit cards
- Mandatory training
- Must sign a "Procurement Card User Agreement"
- All new card requests will be reviewed and issued by the PPAs
- Violation of policies and procedures may be reported to Human Resources for further investigation
- Pre-approval is required prior to purchase
- Funds availability must be verified prior to use
- Budget transfers must be done prior to use
- Regular program audits will occur

Each card type has additional internal controls:

a) Internal controls for Personalized P-Cards:
   - Will be embossed with the employee's name.
   - Named cardholder is solely responsible for the security and possession of the card.
   - Must not be used by anyone other than the employee it is issued.

b) Internal controls for Department P-Cards:
   - Account will be managed and administered by DPAs designated by the Department Director.
   - Will be embossed with the Department's name.

- Card must remain in a secure, locked location and only accessible by designated DPAs.
- DPA will maintain a checkout log and document every time the card is requested. The log will include: 1) Requestor's printed name and signature; 2) Date and time the card was checked out and returned; 3) The not-to-exceed purchase amount; and 4) Merchant name the card will be used at.
- Department card spend limit will be determined by the Department Director.
- The spend limit can be adjusted to a not-to-exceed amount each time the card is requested for use.

3. Participant Roles

Program Participants :

Four levels of primary participants have been established:

1. Cardholder;
2. Department Approver ("DA");
3. Department Program Administrator ("DPA"); and
4. Purchasing Program Administrator ("PPA").

Participant Responsibilities:

1. Cardholder

- Ensure the card is secure from theft and misuse.
- Check for funds availability and process transfers if needed. Please note, this must be done prior to purchase and again at reconciliation.
- Ensure credits for disputed items or billing error appear on a subsequent Cardholder statement.
- Shall not accept cash or store credit in lieu of a full credit to the P-Card account for exchanges and returns.
- Immediately report a lost or stolen card to the Bank customer service number.
- Immediately notify the program administrators of a lost or stolen P-Card at the first opportunity during normal business hours.
- Resolve billing disputes directly with the supplier.
- Review and approve all transactions within the online system following the procedures identified in "Section J - Reconciliation".
- Return the P-Card to PPA upon separation from employment or change in job status or title.
- Report erroneous declines immediately to the PPA.

2. DA:

- Review and approve all cardholder documentation and transactions within the online system – procedures are identified in "Section J - Reconciliation".
- Verify funds availability and complete budget transfers prior to using the card.
- Document any suspected cardholder violations and report them to the PPA and DPA for review.

3. DPA:

- Oversees department cardholders and approvers to ensure that the Program Policies and Procedures are complied with.
- Makes changes to cardholder online profiles, spending limits and MCC restrictions.
- Communicates with PPA regarding program activity and recommendations for program improvement.

4. PPA:

- Oversee the P-Card Program.
- Establish and maintain a P-Card Policies and Procedures Manual.
- Act as the liaison with the Bank.
- Submit new cardholder requests to the Bank.
- Review cardholder activity for compliance with policies and procedures.
- Provide training and documentation to program participates prior to issuing a P-Card.
- Audit program in coordination with the Finance Director.
- Follow-up and document any suspected and/or inappropriate use of the P-Card and/or failure to follow P-Card procedures.

5. Finance Director, or Authorized Designee, will:

- Monitor program activity.
- Establish additional internal controls, policies and procedures for P-Card program use, if necessary.

6. Department Director will:

- Approve new cardholder requests (Use New Cardholder Request form)
- Ensure department participants comply with the Program policies and procedures.
- Establish additional department level internal controls, policies and procedures if necessary.

7. Accounting

- Collect all Cardholder receipts.

- Review cardholder reconciliations to verify accuracy prior to payment.
- Adjust account allocations for disputed transactions as requested.
- Ensure all purchases are appropriately charged to the P-Card Account codes.
- Ensure that unbilled sales and use taxes are paid to the State.
- Process payment to the Bank.
- Notify the PPA of any suspected inappropriate use of the P-Card and/or failure to properly follow P-Card procedures.
- Notify cardholders, DAs and PPA of past due approvals and documentation.

4. Use Policies

The following polices must be adhered to. Violations to the Use Policy can be reported to the Human Resources Department for further investigation.

- Participants must adhere to all City of Pomona Purchasing codes, policy and procedure requirements.
- Personalized cards must not be used by anyone other than the Cardholder.
- Department cards must not be used by anyone other than who the card was checked out to.
- Prior approval must be obtained by completing the "P-Card Purchase Request" form for each purchase. Department staff with signing authority must approve the form.
- Account reconciliation must occur NO LATER than the schedule specified herein under "Reconciliation Procedures", and must not occur more than three (3) times.
- P-Cards must not be used in place of annual Open Purchase Orders for annual expenditures, unless otherwise authorized by the Purchasing Manager.
- Participants must ensure that sufficient funding is available prior to making a purchase.
- The total purchase amount for a single transaction must not exceed $3,000.
- Purchases must not be "split" into multiple transactions in order to bypass the Purchasing Code requirements for competitive bidding and the issuance of a PO.
- When returning or exchanging goods or services, do not accept cash or store credit in lieu of a full credit to the P-Card account.

5. Restricted Uses

The following is a list of generally restricted categories that apply to the entire P-Card program. Department Directors may wish to enable additional internal department restrictions. Cardholders must consult with their DPA to inquire about additional restrictions.

- Alcoholic beverages
- Cash advances

- Computer hardware, software, printers and services (excludes IT Department). Minor peripheral items that do not require software installation or licensing agreements, such as keyboards, mice, and USB flash drives are acceptable.
- Consultants, instructors, or speakers
- Drugs and narcotics
- Gasoline, diesel fuel, oil, and grease (excludes Police Department)
- Gift cards (some exceptions may be made at the discretion of the Finance Director)
- Insurance
- Legal fees
- Meals that are not related to City events, meetings, trainings or conferences
- Material requiring a license to purchase and/or use
- Non-approved merchant category codes
- Rental, lease, or purchase of real property
- Systems office furniture (I.E. cubicle or workstation components, desks, seating, etc. Some exceptions may be made at the discretion of the Finance Director)
- Telecommunications equipment, including cell phones (excludes IT Department)
- Work on property by outside contractors

NOTE: Questions regarding generally restricted commodities and services must be directed to the PPA.

6. Policy and Procedure Violation

- Violation of policies and procedures will be reported to Human Resources for further investigation.
- Unauthorized charges can be considered a personal liability and will be subject to immediate collection from the Cardholder or Requestor.
- After three (3) late reconciliation submittals, the PPA has the right to suspend or terminate P- Card privileges.

PROCEDURES

The following procedures provide a step-by-step guide for various program activities.

7. Request for New P-Card Account

a) Complete a “Request for New P-Card Account” form.
b) Must be signed by the Department Director of the requesting department.

c) Submit the original to the PPA for review and approval, and retain a copy for department reference.
d) Upon approval, a new account and card will be ordered by the PPA.
e) The card will be sent to the PPA and retained until the cardholder attends mandatory training and signs the user agreement.
f) The PPA will schedule mandatory training with the new cardholder.
g) Training will occur and the user agreement is signed by the Cardholder.
h) The PPA will release the new card to the Cardholder.

8. Activate Card and Register Online Account

<u>Step 1 - Activate Card:</u>

a) Upon receipt of the card, Cardholders/DPA must call the Bank phone number from the sticker on the front of the card, and activate the card. Use the following information when prompted:

- Account Number
- Zip Code
- Business phone number

b) Sign the back of the card and proceed to "Step 2 – Register Online Account".

<u>Step 2 - Register Online Accounts:</u>

a) Cardholder/DPA will log into the online transaction management system to register the account. The system will walk you through each step to complete the online registration.
b) Upon confirmation that the online account is set up, the card is active and ready to use.

9. Ordering Procedures

The P-Card may be used at any merchant that accepts VISA cards for payment of purchases.

<u>**NOTE: All P-Card transactions must have proper approval and funding availability prior to purchase.**</u>

a) Complete the "P-Card Purchase Request Form" and request department approval for expenditures prior to making any purchases. A copy of the form is included herein, as an attachment.

EXCEPTIONS:

- Department Directors that have been issued a personalized card are not required to obtain approval prior to making purchases.
- Field staff that requires the purchase items due an emergency, and do not have the time to process a P-Card Purchase Request Form while out in the field, may make field purchases after obtaining a verbal authorization from a supervisor with signing authority. The verbal authorization must be documented on a P-Card Purchase Request Form afterwards to support and justify the purchase at the time of reconciliation.

b) Confirm available funds and process a budget transfer if needed. Verification of funds must be done prior to purchases being made, and again at reconciliation.

c) After receiving department approval and funding is verified, and depending on the type of P-Card being used (Personalized or Department card), proceed as follows:

1) Personalized P-Cards:
   - Cardholder will proceed with the purchase within the approved spend limits and MCC restrictions.

2) Department P-Cards:
   - The Requestor will submit the approved P-Card Purchase Request form to the DPA in order to request the card for use.
     - The DPA will:
       - Verify signature authority on signed request form and funding availability.
       - In Access Online, adjust the spend limits and MCC restrictions to match the approved request, and reset after purchasing has been made.
       - Checkout the card to the Requestor.
       - Cardholder will proceed with online, over the phone or point-of-sale purchases.

d) If a purchase will be:

1) Point-of-sale in a Store:
   - Stores may ask for identification at the time of checkout. Provide an approved City of Pomona identification. Contact Human Resources if you do not have a current ID badge.
   - Cardholder must verify that the dollar amount is correct, sales tax is added and that no additional charges have been included in error. Cardholder signs sales draft for the purchase when required.
   - Store will provide a copy of the sales receipt.

- This copy must be kept and submitted to Finance in accordance with the defined reconciliation procedures stated herein.

2) Online or by Phone:
    - The merchant must send an order confirmation to the Cardholder showing a balance due of $0.
    - Keep all packing slips that are for shipped goods. Packing slips must be attached to all reconciliation documentation.

    NOTE: To avoid bills/invoices being double paid by Finance, instruct merchants to always send sales receipts/bills/invoices DIRECTLY TO YOUR ATTENTION.

10. Missing Receipts or Order Confirmations

Upon discovering that a sales receipt or order confirmation is missing, Cardholders must:

a) Complete and sign the MISSING-RECEIPT-AFFIDAVIT form, attach it to the P-CARD PURCHASE REQUEST form, and forward it to the department approver. A copy of the form is included herein as an attachment.
b) Department approver will forward the P-CARD PURCHASE REQUEST form along with the MISSING-RECEIPT-AFFIDAVIT form to Finance Department – Accounts Payable.

11. Reconciliation

a) Cardholder Actions:
    1) Daily, cardholder will log into Access Online at https//www.access-online.com to check for any transactions that have posted to the account.
    2) Locate the transaction for the items purchased
    3) Verify the vendor’s name
    4) Verify items purchased, if possible
    5) Verify the amount charged
    6) Assign proper account code(s)
    7) Approve the transaction
    8) Prepare and forward the following documents to the DA:
        - Approved P-Card Purchase Request Form, receipts, order confirmations and packing slips
        - Credit Voucher, if applicable
        - Any other documentation required by the department
b) DA Actions:
    1) Completely review all charges to ensure that purchases are authorized within the duties of the Cardholder and proper documentation is included.

2) Review supporting documentation to ensure that it is adequate to justify each purchase and complies with the procedures.
3) Electronically approve cardholder transactions in Access Online at https//www.access- online.com on a weekly basis by Tuesdays at 6:00 PM.
4) Submit all approved support documentation to Finance Department – Accounts Payable on or before Tuesday by 6:00 PM.

c) Finance/Accounting Actions:
1) Finance must receive completed reconciliations no later than 6 PM on Tuesdays.
2) The following is an outline of the reconciliation process:
   - Accounts payable will review supporting documentation to ensure that it is adequate to justify each purchase, and that all purchases comply with procedures.
   - Notify the Program Administrator of:
     - any purchases that do not comply with the policies and procedures
     - any departments, Department Approvers, and/or Cardholders that have not submitted the necessary information
     - any questionable purchases
3) Download transactions from the electronic version of the reconciliation into the financial system.
4) Process payments to the Bank on a weekly basis.

d) Finance Director’s and Purchasing Manger’s Responsibilities:
1) On a sample basis, review supporting documentation to ensure that it is adequate to justify each purchase, and that all purchases comply with the policies and procedures.

12. Report a Lost or Stolen P-Card

a) Cardholder will immediately contact the Bank’s Customer Service to report the lost or stolen card.
b) The Bank will issue a new card.
c) Immediately notify the PPA, DPA and DH via E-mail of a lost or stolen P-Card at the first opportunity.
d) Replacement cards will be sent to the PPA. When received, the PPA will notify the Cardholder that the new card is ready to be picked up and activated. Refer to “Section 8 – Step 1 - Activate Card” for procedures to activate a new card.

13. Replacement of Worn-Out/Damaged Cards

a) Cardholder will complete a “Change in Cardholder Information” form and submit to the PPA to order a new card. A copy of the form is provided herein, as an attachment.
b) The PPA will order a replacement card.
c) Cardholder must return the worn out/damaged card to the PPA to be destroyed.

d) The Cardholder will be notified to pick up the replacement card from the PPA.
e) Cardholder will activate the new card. Refer to "Section 8 – Step 1 - Activate Card" for procedures to activate a new card.

14. Canceling a Card

a) DPA will sign completed "Change in Cardholder Information" form and submit to PPA to request that the current card be cancelled. A copy of the form is provided herein, as an attachment.
b) Cardholder must return the old card to the PPA with the request form.
c) PPA will follow established procedures for properly destroying canceled cards.

15. Changes to Cardholder Information

a) Cardholder will complete a "Change in Cardholder Information" form and submit to the PPA to order a new card. A copy of the form is provided herein, as an attachment.
b) The PPA will order a replacement card.
c) Cardholder must return the worn out/damaged card to the PPA to be destroyed.
d) The Cardholder will be notified to pick up the replacement card from the DPA.
e) Cardholder will activate the new card. Refer to "Section G – Step 1 - Activate Card" for procedures to activate a new card.

16. Disputed Transactions

a) Cardholders shall resolve all billing disputes directly with the supplier.
b) If unable to resolve the dispute, the Cardholder shall notify the Bank of the disputed item.
c) The Bank will provide the Cardholder with the required documentation in order to file a dispute with the supplier.
d) The Bank will issue a "chargeback" that will post to the cardholder account as a credit.
e) Cardholder must submit all documentation related to a disputed transaction to the DA with weekly reconciliation reports.

NOTE: Timely attention to a disputed item is essential to ensure that chargeback rights do not expire.

17. Fraud Activity

The Bank continually monitors accounts and transactions to prevent and halt fraud activity. If fraud activity is suspected, the Bank may contact Cardholders by telephone to inform them about the use (or attempted use) of their credit card in a fraudulent manner.

Cardholders must regularly review their account online in order to identify any suspicious transaction activity. If the Cardholder discovers a fraudulent transaction, the Cardholder must:

a) Report it to the Bank and PPA immediately. The Bank will work with the Cardholder to confirm the validity of the transaction(s) in question and provide instructions and applicable forms to be completed by the Cardholder. It may be necessary to close the current account to prevent additional fraud activity. The Cardholder must cut up the old card and return it to the PPA for final destruction.
b) Attach copies of all bank forms with reconciliation reports.
c) The Cardholder must proceed with regular reconciliation processes as required by policy. Fraudulent transaction shall be notated “fraud-pending credit” next to the items(s).
d) A credit in the amount of the disputed charge will be posted to the accounts upon resolution.

P-Card Forms

REQUEST FOR PROCUREMENT CARD

Submittal Date: ______________________ Date Received in Purchasing: ________________________

Personalized P-Card		Department P-Card	
Cardholder Name:		Dept. or Div. Name on Card:	
Title:			
Department/Division:			
Single Purchase Limit (not to exceed $3,000):		Single Purchase Limit (not to exceed $3,000):	
Monthly Purchase Limit:		Monthly Purchase Limit:	
Employee's Signature:			

Department Program Administrator is: (print) ____
* Cannot be the same as cardholder or department
approver Department Approver is: (print) ____
* Cannot be the same as cardholder or dept. program administrator

Restrictions (other than those outlined in the procedures)-Items that this P-Card should not purchase:

Default accounting code(s): ***Provide a list in Excel if all accounts will not fit in the below table.***

Account Name (Ex: General Fund-Purchasing Division-Office Supplies-All)	Account Number (Ex: 101-1150-52060-00000)

Department Director/City Manager *(City Manager approves Department Director issued P-Cards)*

Print and Sign **Date**

For Purchasing's Use Only:

Card order on: Date ________________ *Entered by: (print)* ____________________________________

Training date scheduled for: _______________ *Card was received: Date* ___________________

Date training attended, user agreement signed and card released to Cardholder was completed: ______

PROCUREMENT CARD (P-CARD) USER AGREEMENT

The City of Pomona is pleased to present you with this P-Card. It represents the trust in you and your empowerment as a responsible agent to safeguard and protect City assets.

I, (print first and last name) ____, hereby acknowledge receipt of P- Card number ___________________________.

As a Cardholder, I agree to comply with the terms and conditions of this agreement and the P- Card Policies and Procedures.

I will be responsible for submitting my reconciled Statement of Account to my Department Approvers and Finance NO LATER than the due date specified in the Policies and Procedures.

I acknowledge receipt of said agreement and confirm that I have read and understand its terms and conditions. I understand the City of Pomona is liable to the Bank and VISA for all of the City of Pomona's charges.

I agree to use this card for City of Pomona approved purchases only and not to charge personal or unapproved purchases. I acknowledge that I am the only person that may use this Purchasing Card and will not give my card, or its number, to any other person for purchasing use.

I will not purchase the restricted items listed as specified in the Policies and Procedures regardless of open Merchant Activity Codes.

I understand that improper use of this P-Card will be reported to Human Resources, and P-Card privileges will be suspended or revoked.

I agree to return this P-Card to The City of Pomona immediately upon request, change of job position, or upon separation of employment.

	Signature	Print Name	Date
Cardholder:	____________________		
Department Approver:	____________________		
Department Director:	____________________		
Program Administrator:	____________________		

P-CARD PURCHASE REQUEST FORM

DATE ______________

CARDHOLDER NAME: P-CARD #:

SUGGESTED VENDOR ______________________________

ADDRESS/WEBSITE

CITY/STATE/ZIP ______________________________

PHONE # ______________ FAX # ______________

CONTACT ______________ EMAIL ______________

QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL
		TOTAL REQUESTED AMOUNT NOT TO EXCEED		

ACCOUNT ALLOCATION		
Account Code	**Account Description**	**Amount**
	TOTAL ESTIMATED ALLOCATION	

Budget Checked By:	**Initials:**	**Date:**

CARDHOLDER / REQUESTOR (print) ______________ (sign) ______________ DATE ______________

AUTHORIZED SIGNER (A or B level staff) (print) ______________ (sign) ______________ DATE ______________

Approved P-Card Purchase Request forms must be submitted with all account reconciliation documentation.

<u>DON'T FORGET TO APPROVE YOUR TRANSACTIONS IN "ACCESS ONLINE" AT HTTPS://WWW.ACCESS-ONLINE.COM!!!</u>

City of Pomona

Missing Receipt Affidavit

(for use with purchasing card or travel expense transactions)

I, ______________________________, have either not received, or have misplaced a receipt totaling $______________________________. This expense was incurred on behalf of The City of Pomona.
(Amount)

Reference Number: ____________________________________ Transaction Date: ____________
(for purchasing card transaction)

Vendor Name: ____

Vendor Address: ____

Detail of Items/Services Purchased *(Type in box below)*

I certify that the itemized receipt for this payment has been lost or was not received from the vendor and this statement is given in lieu of that itemized receipt. I certify that the amounts shown above were expended for City of Pomona business purposes and no alcoholic beverages, tobacco products and/or gift cards/gift certificates were purchased.

I also certify that I have not been previously reimbursed for these expenses. If this expense is being charged to a grant or contract, I certify that the claimed expense complies with the conditions of the grant or contract.

____ ____________________

Cardholder/Traveler Signature Date

____ ____________________

Signature of Director Date

____

Printed Name of Director

CHANGE IN CARDHOLDER INFORMATION

Submittal Date: _____________ Date Received in Purchasing: (time stamp) ________________

The P-Card was issued as (check one) Personalized ____________________Department _________________

Employee or Department Name on Card (print) ____
Department __________________________ Division ___________________________________
The following Cardholder information must be changed as indicated:

- Name: Change from ____________________ to _________________________________
- Report as Lost or Stolen and Order a Replacement _____________
- Report as Worn-out or Damaged and Order a Replacement __________________
- Cancel Card and Close Account ____________ (requires Department Director's signature)
    - Reason for canceling the card: ____
- Other ____

____
Cardholder's Signature Date

____
Department Program Administrator's Signature Date

____
Department Director Signature Date

For Department Program Administrator's Use Only:

Online request was entered on: ______

Date replacement card was received: ___________________________

Date replacement card was released to the Cardholder: _____________________________

Cardholder's signature confirming receipt of new card: _____________________________

Date the old card was returned to the Purchasing Program Administrator: _____________

Purchasing Program Administrator's signature confirming receipt of old card:

____

D. Accounting, Auditing and Financial Reporting (Staff Administrative Procedure)

Accounting, auditing and financial reporting form the informational infrastructure for public finance. Internal and external financial reports provide important information to the City's legislative body, management, residents, investors and creditors.

1) The City will comply with generally accepted accounting principles (GAAP) in its accounting and financial reporting, as contained in the following publications:

    a) Codification of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standard Board (GASB)
    b) Pronouncements of the Financial Accounting Standards Board, (FASB)
    c) Governmental Accounting, Auditing, and Financial Reporting (GAAFR), issued by the Government Finance Officers Association (GFOA) of the United States and Canada
    d) Audits of State and Local Governmental Units, an industry audit guide published by the American Institute of Certified Public Accounts (AICPA)
    e) Government Accounting Standards (GAS), issued by the Controller General of the United States
    f) Uniform Guidance

2) A system of internal accounting controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions of the City and compliance with applicable laws and regulations.

3) In accordance with State law, a comprehensive financial audit, including an audit of federal grants according to the Single Audit Act of 1984 and the Uniform Guidance, will be performed annually by an independent public accounting firm, with the objective of expressing an opinion on the City's financial statements. The City will prepare its financial statements in accordance with applicable standards and will account for its operations in a manner consistent with the goal of obtaining an unqualified opinion from its auditors.

4) The City will prepare an Annual Comprehensive Financial Report (ACFR) in accordance with the principles and guidelines established by the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program.

5) Annually, the Finance Director will solicit updates from the various departments to provide notice of all significant events and financial and related matters for the City's annual disclosures, as required by the SEC Regulation 15-C-2-12, to the municipal markets, financial statements and bond representations. The Finance Director will notify the auditors and agencies as appropriate.

6) The ACFR will include the bond related on-going disclosure requirements and will fully disclose all significant events and financial and related issues as provided by the departments to the Finance Director. The City will provide the ACFR to the rating agencies, municipal bond insurers and national bond disclosure repositories and post on City's website.

E. Economic Development (City Council Policy)

Economic development in its simplest form is the creation of economic wealth for all residents so that all people have access to potential increased quality of life. It is an important tool to sustain an increase in living standards that implies increased per capita income, better education and health as well as environmental protection for the community.

1. The City will expand and diversify its economic base by attracting industrial, office and commercial firms to the City. Special emphasis will be given to industrial, office and commercial enterprises that will create employment opportunities in professional, technical and skilled labor positions. Such business and industry will be sited and developed in accordance with the plans and ordinances of the City.

2. The purpose of this Policy is to establish guidelines for focusing a special emphasis on economic development efforts and incentives that encourage value-added development and accrue public benefits to the City of Pomona. A public benefit may include:
   a) A benefit that materially enhances the financial position of the City by increasing the employment base, assessed valuation or general and special use tax revenues;
   b) A general benefit received from the provision of a capital improvement or contribution to the basic infrastructure of the City that is greater than that benefit which would be required of the development alone; and
   c) A benefit that increases access to other public services.

3. The City's goal is to create employment opportunities for its residents by attracting companies that provide sustainable wage jobs.

4. Development incentives for commercial projects shall generally be provided for developments with a positive commercial impact to the local economy. These projects must demonstrate that either additional revenue or preserving existing revenue will be generated to the City, rather than a redistribution of existing revenue.

5. Office, business park and industrial projects within the City shall be considered for special emphasis when the project demonstrates at least three of the following:

   a) Provides quality direct employment opportunities for the City of Pomona residents;

b) Provides additional indirect employment opportunities through primary and secondary employment generation to the City of Pomona residents;
c) Significant increase in property tax revenues accruing to the City;
d) Goods and/or services are purchased within the City of Pomona;
e) Expands the labor base with jobs that meet specific criteria;
f) Provides needed public infrastructure; and
g) Offers unique recreational opportunities or cultural enhancements for the residents of the City of Pomona.

6. The City may consider a variety of development incentives to encourage development, which is clearly a benefit to the City. Incentives may include, but are not limited to, one or more of the following:
   a) Formation of improvement districts;
   b) Formation of Community Facilities Districts (CFDs);
   c) Intergovernmental Agreements (IGAs) with other agencies for projects which will provide benefit to multiple jurisdictions;
   d) Use of Industrial Development Authority Bonds;
   e) Use of development mechanisms available to the City such as Enhanced Infrastructure Financing Districts (EIFD) if applicable and where appropriate;
   f) Use of State of California Enterprise Zone Tax Credits;
   g) Provision for allowing credits for off-site public infrastructure development costs; and
   h) Use of discount lease rates on City-owned property coupled with reversion clauses for improvements constructed on the property.

7. The City will, when possible, provide expedited plan review, development agreement processing, and permit processing on a cost recovery basis.

8. The proposed development project shall typically be “performance based” so that the developer only receives the incentive if its performance meets selected criteria set forth in the development agreement. Other guidelines may apply to a project, which contributes to the overall benefit of the City in other ways, (e.g. downtown revitalization or development in specific target areas).

9. The City may require a developer requesting development incentives to fund an impartial fiscal impact analysis of the proposed project. Preparer of the fiscal impact shall be chosen by mutual agreement of the City and developer. The City will evaluate the economic costs, economic benefits, intrinsic benefits and levels of each type of risk that are associated with the project requesting an economic development incentive, as well as the financial impact of all such incentives on the City’s operating and capital budgets.

10. The fiscal impact evaluation shall be presented to the City Council by the City Manager, along with any recommended economic development incentive. The City Council shall make the final decision concerning proposed economic development incentives, including the terms and conditions contained within any proposed memorandum of understanding or development agreement.

11. Certain exclusions, limitations, disclosures, and collateral requirements apply to these incentives.
    a) Failure to operate facilities developed under a development incentive plan will require the developer to repay the City for certain amounts that may have been advanced, and/or costs that the City has incurred.
    b) Residential development normally will not be provided any incentive package unless a clear net benefit to the City can be demonstrated or other public purpose served (e.g., affordable housing projects).

F. Risk Management (Staff Administrative Procedure)

1. Risk Management Objectives

Risk management has become increasingly important in guarding against economic loss and in ensuring public safety in a time of increasing public liability and litigation. Risk management is involved in the identification, evaluation, and treatment of the City's risk.

a) The City shall make diligent efforts to prevent or mitigate the loss of City assets and to reduce the City's exposure to liability through training, safety, risk financing and the transfer of risk when cost effective.
b) The City shall manage its exposure to risk through cost effective methods such as self-insurance and/or the purchase of traditional third-party insurance in the following areas: general liability, automobile liability, public officials' errors and omissions, police professional liability, property loss and workers' compensation.
c) The City will further control its exposure to risk through the use of "hold harmless" agreements in City contracts and by requiring contractors to carry liability insurance which shall name the City, its elected officials and employees as additional insureds.
d) Insurance reserves shall be maintained at a level which, together with any purchased insurance, will adequately protect the City's assets and its elected officials, officers and directors against loss. A regular study will be conducted for potential liability areas and shall be used as a basis for determining self-insurance reserves based on historical loss data.
e) An internal litigation committee consisting of the City Manager, City Attorney, Human Resources / Risk Management Director, Risk Manager, and Finance Director will meet no less than quarterly to review outstanding claims and related costs. Department Directors may be

asked to attend the Litigation Committee meeting when a claim related to his/her Department is being reviewed.

f) A debrief of all traffic fatalities shall be conducted by Risk Management with all internal parties present to assess and address the issues.
g) Department Directors shall be notified by Risk Management of current claims and in order to ensure that loss of City assets and exposure to litigation are mitigated, Directors will be responsible for implementing operational changes in their department as a result of those claims/cases that are filed.
h) The City will disclose material contingent liabilities in the City's Annual Comprehensive Financial Report (ACFR).

2. Cost Allocation Plan

A Cost Allocation Plan is a document that identifies, accumulates, and distributes allowable direct and indirect costs to cost objectives. The plan also identifies, accumulates, and distributes allowable direct and indirect costs to cost objectives and identifies the allocation methods used for distribution to cost objectives, on the basis of relative benefits received.

The City of Pomona will update its Cost Allocation Plan on an annual basis to achieve the following objectives:

a) Identify the actual cost of services being provided to the residents.
b) Equitably share the costs of shared facilities and support services between departments, programs, and funds throughout the organization.
c) Ensure accuracy of cost-based user fees for public services such as utilities, development review, parks, or any other service where the user pays a fee for service.
d) Relieve pressure on the general fund by allocating certain general fund costs to enterprise or other funds that receive a benefit from support services.
e) Minimize audit findings to ensure that all service rendered by one department to another shall be paid for at its true and full value by the department receiving the service, and that no department shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.
f) Obtain reimbursement for allowable overhead costs from federal and state grants, to the extent that this is allowed by the grant. This usually requires a formal cost allocation plan with internal controls to assure accuracy. Federal monies require strict adherence to OMB's Uniform Guidance (2 CFR 200).

G. Grant Management and Administrative Policy (Staff Administrative Procedure)

1. Policy and Scope

The purpose of the Grant Management and Administration Policy is to establish policies and procedures for accepting and administering grants. As a condition of receiving grant funds, the City agrees to comply with the provisions of the grant agreement and applicable federal and state guidelines. Satisfying these requirements is critical in preserving current grant funds and ensuring the City's continued eligibility for future grant awards. The purpose of this policy is to identify roles and responsibilities in managing grants in order to ensure compliance with grant covenants and applicable federal and state guidelines.

Approving Authority – Finance Director

2. Grant Identification, Application and Acceptance

It is the responsibility of each City Department to identify and pursue grant funding opportunities. Many agencies have list serves to which interested parties can subscribe to identify grant opportunities. For example, Grants.gov (http://www.grants.gov) is the clearinghouse for all federal grant opportunities, and allows organizations to electronically find and apply for federal grants.

Prior to preparing an application for a grant, the City Department shall:

a) Determine whether the grant requires matching funds. If matching funds are required, the Department seeking the grant shall provide advance notice to the Finance Department.
b) If the grant application requires the approval of the City Council, the grant application must be submitted to the City Council for consideration and approval prior to submittal to the funding agency.

If either of the aforementioned scenarios do not apply, the grant application may be signed by the City Manager (or designee).

Upon notification of a grant award, the Department shall prepare a staff report requesting City Council approval to accept the grant and to request authority for an appropriation and a budget for anticipated grant revenues. Prior to the submission of the staff report for acceptance, the Department is required to send the Finance Department a copy of the grant agreement where the Finance Department will determine the appropriate method of tracking for the grant. Finance will either issue a new fund code or a new Grant Project code for tracking purposes.

3. Compliance with Grant Requirements

The City Department that applied for the grant shall assign a "grant manager" who is responsible for compliance with all aspects of grant requirements and ensuring that the policies and procedures set forth herein are followed. The Finance Department will assign an accountant at the time of acceptance to assist in the financial tracking and reporting.

4. Cash Management

Grant funding is typically received through a reimbursement process based on actual costs incurred. However, if the City receives an advance in grant funding, the City will allocate interest earned on the advanced funds when applicable. When the City receives advance payments of grant funds, the grant manager must minimize the time elapsing between the transfer of funds to the City and the expenditure of those funds on allowable costs of the applicable grant program. The grant manager is responsible and should pursue and/or request grant reimbursements or draw downs on a timely basis. If requested, the Finance Department will assist with grant reimbursements or draw downs.

Grant checks should be deposited immediately with the City Finance Department along with supporting documentation received by the grant manager.

The grant manager will keep the Finance Department apprised of the annual estimated grant revenues and expenditures and a tentative schedule of cash-flows for the grant program.

5. Eligibility

In order to ensure compliance with grant eligibility requirements, the City shall adhere to the following:

a) Grants will only benefit those individuals and/or groups of participants that are deemed eligible.
b) Eligibility determinations will be made by the grant manager based on the grant award/contract and its associated regulations. Sufficient documentation to support these determinations will be retained and made available to City management, auditors, pass-through or grantor agencies, upon request. It is the department's responsibility to maintain complete, accurate, and organized records to support eligibility determinations.

6. Capital Assets

Federal reporting requires all assets purchased in part or in whole with Federal funds to be capitalized with a threshold of $5,000, regardless of the City's capital asset policy. Many Federal agencies require a documented list of assets purchased with Federal funds.

Grants with revenue generating assets purchased or constructed in part or in whole with grant funds, or proceeds received from disposed assets purchased in part or in whole with grant funds may be required to report the funds received to the granting or pass through agency.

Additionally, these funds may be required to be returned to the granting agency or reallocated to eligible grant projects.

The grant manager and the Finance Department should be notified as soon as any grant-funded program income is generated to ensure proper accounting procedures are established.

7. Indirect Costs

To allow for a greater share of grant funds to be used for direct program costs, the City generally does not charge indirect costs to grant programs. If in the future the City has an Indirect Cost Allocation Plan prepared and approved by their Federal Cognizant oversight agency, Indirect Costs will be an eligible expense and could be incorporated into the grant budget.

8. Sub-Recipient Grant Monitoring

A sub-recipient is an entity with which the City has a relationship to administer grant-funded programs, and which under federal guidelines is subject to additional monitoring and reporting requirements.

Per Uniform Guidance, prior to awarding the grant funds to a sub-recipient, departmental grant managers are required to conduct a risk assessment of the subgrantees prior to awarding the pass-through funds. Factors to consider include prior experience with the same or similar grant programs, results of previous audits, new personnel and/or systems, and the results of other Federal grantor's monitoring, if applicable.

City departments that receive Federal grant funds and pass these funds through to sub-recipients are to ensure that sub recipients comply with Uniform Guidance (2 C.F.R. Part 200) regulations as well as City policies and procedures. The primary recipient (the City department) must monitor the activities of all sub recipients to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts/grant agreements and that performance goals are achieved. Grant agreements should include monitoring, evaluation and reporting requirements, and describe how the City will monitor and evaluate the sub-recipient's administrative systems, processes and charges. Monitoring should be conducted by the department awarding the pass-through grant or by a contracted third party. The frequency and scope of monitoring procedures should be determined by the department/division. The monitoring processes can include one or a combination of:

a) Desk Reviews – reviews of financial and narrative reports, audit reports, correspondence and other documentation provided by the sub-recipient.
b) Telephone Contacts – direct communication with the sub-recipient by telephone to ask or answer questions and check on the progress of the project.
c) On-Site Monitoring – visit to the project site to review/observe one or more aspects of the sub-recipient project; review files and supporting documentation.
d) Monitoring Reports – each sub-recipient award and related monitoring of the project/program must be documented by a written report and retained by the

department (Grant Administrator/Program Manager) awarding the sub recipient grant. The monitoring report(s) are official records of staff review of sub recipient's project/program at a certain point in the period of performance, constitute the basis for future assessment and make the monitor's findings available for internal/external inspection.

9. Grant Revenues/Expenditures

The City Council must authorize acceptance of grant funds, approve matching funds, and authorize the City Manager (or designee) to execute all necessary documents. Upon direction from the City Council, the Finance Department is responsible for increasing revenues and increasing an appropriation of the same amount to the proper accounts.

All grant revenues will be deposited to revenue accounts specific to the grant and grant year. The Finance Department will create and maintain grant identification specific to each grant and provide tracking of activity (revenue, expenses and accruals).

For reimbursement-based, multi-year grants, both revenues and expenditures are budgeted in the year during which the grant activity will be performed. Reimbursements for grant activities performed in one fiscal year and not actually received until next fiscal year will be accrued according to the City revenue recognition period.

The department division is responsible for ensuring that grant revenues are deposited into the proper revenue accounts immediately upon receipt with the assistance of the Finance Department. The department/division is responsible for monitoring and ensuring that grant expenses are recorded in the proper expenditure accounts. Upon request from the Grant Manager, the Finance Department is available to assist with reviewing and determining whether certain expenses are eligible to be charged to the grant.

10. Matching Funds

Funds provided for match must be in addition to and, therefore, supplement funds that would otherwise be made available for the stated program purpose. Matching funds must be obligated by the end of the grant period.

11. Procurement

When goods or services must be procured in order to accomplish the goals of the grant program, City procurement policies and procedures will be followed. The City Department that applied for the grant is responsible for complying with applicable grant covenants and the City's purchasing policies and procedures as set forth in Purchasing Ordinance of the City of Pomona and other applicable requirements set forth in the Pomona City Code, including administrative regulations adopted thereunder. The City has also established Procurement Policy and Procedures for Federally Funded Projects, which supplements the requirements of the Procurement Code. In the case of grant funding, the more restrictive of either the City or funding agency's procedure will apply to a purchase. Specific to federal funds, prior to procuring from the vendor, the

Department must use SAM.gov to verify the vendor is not federally debarred and has no exclusions.

12. Program Income

Program Income is defined as income directly generated from grant funds and includes, but is not limited to proceeds from the sale or lease of assets purchased with grant funds, principal and interest payments received on loans made using grant funds, etc. The Grant Manager (with assistance from the Finance Department) is responsible for ensuring that program income is accounted for, expended and reported in accordance with the applicable grant guidelines.

13. Reporting

The City department/division is responsible for all grant reporting requirements. The grant manager is responsible for preparing and submitting grant reports in the frequency and within the deadlines required under applicable grant guidelines, which vary depending on whether a financial, performance or special report is involved. Financial reports will be prepared by the Grant Manager based on the general ledger using the required basis of accounting (i.e., cash or accrual) with assistance from the Finance Department. Any report with financial-related data will be submitted to the City Finance Department for review prior to submitting the report to the granting agency. Copies of submitted reports will be filed with supporting documentation and any follow- up correspondence from the grantor or pass-through agency. Copies of all such reports will be retained by the City department/division.

14. Close Out

Official close out of a grant should occur when the awarding agency determines that the City (grantee) has completed all applicable administrative actions and work required under the grant. Grants should be closed out when the grant has expired (reached the end date) and all open administrative, compliance, legal and audit issues have been resolved. A federal awarding agency may choose to close a grant administratively if the grantee fails to provide the required documents, is no longer a valid operating entity, is a non-responsive or fails to cooperate. Within 90 days after the end date of the grant or any approved extension (revised end date), the department grant administrator must submit the required close-out documents (final progress/financial report) to the grantor (funding agency). Prior to submission of these documents, the department grant administrator should request final payment for reimbursement of expenditures made within the approved period in conjunction with the final financial status report.

The grant recipient (department/division) will notify the Finance Department of any balances to be refunded for unobligated cash that the grantor has advanced or paid and that is not authorized to be retained by the recipient for use in other projects. If award funds must be returned to the grantor at award close-out, the department grant administrator should remit a check (via the Finance Department) with a cover letter indicating the grant award number and the unobligated balance.

15. Retention and Maintenance of Records

The official grant file including a copy of the signed contract/agreement and all documents associated with the grant, including but not limited to the contract and amendments, application, activity reports, requests for reimbursement, fiscal reports and other correspondence will be maintained by the Department for at least three (3) years from the date of submission of the final expenditure report, or the retention period required by the grant if records are required to be maintained for a period beyond three (3) years.

H. Travel and Expense Policy (Staff Administrative Procedure)

1. Policy and Scope

It is the purpose and intent of this Policy to reimburse City employees for their necessary and reasonable expenses actually incurred in the conduct of their official business on behalf of the City. Authorized travel shall be consistent with budgets provided for such purpose and all expenses incurred under this Policy must be charged to a travel expense budget line item. When applicable for Council, this Policy is not intended to supersede the City of Pomona's Council Expense and Reimbursement Policy (AB 1234). Similarly, when applicable for Police Department personnel, this Policy is not intended to supersede P.O.S.T. reimbursable travel policies established by the State of California as well as Police Department "Training 3-001" policy.

The City recognizes the constructive value of professional conferences, seminars, meetings, and training and it is anticipated that the City will derive benefit from training and information received at such events and therefore provides travel and expense funds for travelers who attend such approved events.

Employee travel may be authorized for conducting official business requiring local and non-local travel activities such as professional meetings, conferences and training sessions. Allowing City staff to attend conferences and meetings promotes the exchange of ideas, assists staff in keeping up-to-date with new laws and practices in their field, and enhances their abilities to improve services to City residents and businesses.

Each Department Head shall be held responsible and accountable for the interpretation and administration of this Policy within his/her department. Department Heads will be expected to consult with the Finance Director and/or the City Manager on any questions related to this Policy.

The City Manager or Department Head who authorizes travel and business expenses are responsible for determining that the cost is reasonable and justified. They should be certain that the training or conference will enhance the effectiveness of the City's operations. Also, they need to determine whether some other means could be used to achieve the same results at a lower cost. It is the further purpose of this Policy to:

a) Control and limit City cost to those expenses necessary and essential for the conduct of official business based on the purpose, nature and circumstances of the travel, business meeting or activity; and
b) To assure the public that the City is a good steward of the City's resources and that all City funds expended for conferences, training sessions, etc. are properly used by the employee for the benefit of the City, and are properly accounted for by the City.

Eligible reimbursements will include reasonable reimbursement rates for travel, meals, and lodging, and other actual and necessary business expenses incurred in the performance of employee's assigned duties while on travel status (travel status is defined as visiting a location other than the employee's regular place of business).

2. Procedures

a) Overview of Travel Procedures for Local and Non-Local Travel

Step 1 – Advanced Travel Authorization:

<u>The Employee:</u>

1. Consult with the Department Head on the need for travel and obtain approval.
2. Plan itinerary, transportation, and lodging.
3. Complete Request for Travel Expense form (attached as Attachment A, or other amended Travel Expense form adopted by the City in the future) and/or Demand for Payment form for each direct vendor payment requested.

<u>Department Head:</u>

1. Review Request for Travel Expense form and/or Demand for Payment form for conformance with City Travel and Expense Policy.
2. Verify adequate funding exists in the appropriate travel budget to cover all costs.
3. Approve Request for Travel Expense form and/or Demand for Payment form and provide the original to the City Manager for approval.

<u>City Manager:</u>

1. City Manager, or his or her designee, reviews the Travel Expense form and/or Demand for Payment form to approve or deny at his/her discretion.
2. If approved, the City Manager will provide the approved version(s) back to the Department Head to turn into the Finance Department for processing.

<u>Finance Department:</u>

1. Make payment to the employee and/or vendors as requested on the Request for Travel Expense Form and/or Demand for Payment form.
2. File Request for Travel Expense form and/or Demand for Payment form with supporting
3. documentation with the demand.

Step 2 – Post-Travel Expense Reporting

Employee:

1. Complete and submit the Travel Expense Report accounting for all eligible reimbursable expenses to the employee's Department Head within seven (7) working days after the completion of travel. Exempted from the seven day requirement are Police Department employees, which shall have fifteen (15) days to submit their Travel Expense Report to their Department Head.
2. Attach itemized documentation supporting payment of eligible expenses (e.g., receipts, invoices, etc.) to the Travel Expense Report.
3. Sign report attesting to its accuracy.
4. In the event that the employee received an advance payment for any expenses that exceeded the actual cost, the employee shall return such excess to the City along with the Travel Expense Report.
5. See Section 2.p) below for additional detail.

Department Head:

1. Review Travel Expense Report for conformance with the City Travel and Expense Policy.
2. Verify accuracy of expenses reported and inclusion of required backup information including detailed receipts for all expenses.
3. Approve expense report, scan a copy for department records and submit the original to the Finance Department.

Finance Department:

1. Process any payment due to the employee and file the expense report as support for the demand.

b) Responsibilities

Every employee who travels on official business on behalf of the City is responsible for knowing and complying with this Policy. A Department Head is responsible for reviewing and approving or denying all travel requests for compliance with this Policy.

c) Advance Travel Authorization Required

1) Non-Local Travel. All travel and business expenses must be approved by the City Manager or Department Head prior to the employee attending any non-local conference, seminar or meeting. "Non-local" is defined in Section 3.b) of this Policy. The authorization must be obtained by the employee's submittal of a "Request for Travel Expense form." Travel out-of-state will require the City Manager's approval in writing in advance of incurring any associated expenses. International travel and expenses shall require prior approval by the City Council.
2) The Finance Department is not authorized to pre-pay business expenses for travel without the signed and approved Request for Travel Expense form and supporting documents.

3) Local Travel. “Local” is defined in Section 3.a) of this Policy. City employees must complete a mileage log pursuant to the Section 3 of this Policy in order to be reimbursed for mileage for local travel.
4) Emergency Travel. Notwithstanding a. and b. above, emergency travel does not require prior written approval of the City Manager or Department Head prior to the employee incurring the expense. Emergency travel is defined as an unforeseen set of circumstances that requires an employee to travel in order to protect the City’s immediate interests or needs. This may include, but is not limited to, police investigators traveling at night, holidays, or weekends to interrogate or take custody of a person or persons who is suspected of witnessing or committing a crime within the City limits of Pomona and is currently being detained by another jurisdiction.
5) Emergency travel, however, must receive the approval of the City Manager or Department Head before an employee may receive reimbursement for any business expenses related to such travel.

d) Authorization Responsibility

Consistent with this policy, travel must be properly authorized through approval by:

1) City Manager: The City Manager, or his or her designee, is responsible for authorizing all travel, conferences, meetings and seminars, and approving the reimbursement of funds expended for Department Heads and all employees requesting travel.
2) Department Head: A Department Head or his or her designee is responsible for authorizing all travel, conferences, meetings and seminars, and approving the reimbursement of funds expended for all employees in their department prior to City Manager approval.
3) City Council: The City Council is responsible for authorizing all travel, conferences, meetings and seminars, expenses for the City Manager and City Attorney through the adoption of the City’s annual budget. The City Manager and City Attorney report directly to the City Council and their general business expenses have been authorized by their employment contracts. Any disputes regarding a specific travel/expense item that cannot be resolved between the City Manager and the Finance Director or the City Attorney and the Finance Director will be brought to the Mayor and/or the City Council for consideration and resolution. The City Council is also responsible for authorizing all international travel for City employees.
4) Finance Department: The Finance Department staff is responsible for receiving reimbursements requests for expenditures with appropriate authorization and supporting documentation. Once received from the departments with proper authorization and supporting documentation, a reimbursement will be processed.
5) Employees: All employees are responsible for maintaining and presenting detailed records and receipts necessary to verify and substantiate the funds expended on behalf of the City.

e) Authorizing Official's Responsibilities

The City Manager or Department Head who authorized travel and business expenses is responsible for determining that the cost is reasonable and justified. They should be certain that:

1) Travel will enhance the effectiveness of the City's operations;
2) Mail, telephone, on-line resources or other less costly means cannot be used to accomplish the purpose of the travel;
3) The itinerary ensures effective accomplishments of the purpose at the lowest reasonable cost;
4) The employee understands and follows these policies and procedures; and
5) There are enough funds available in the budget to cover the entire cost of the travel.

f) Basic Expense Standard

Attendance at conferences, seminars and meetings shall be limited to the minimum number of employees required to represent the City, obtain information and/or maintain skills and professional qualifications.

This Policy is not to be construed as requiring employees to obtain the cheapest possible accommodations, transportation or meals when conducting official business. Employees are expected to exercise good judgment and incur only those expenses that would be incurred by a "reasonable person" in the conduct of business at his/her own expense.

g) Personal Expense

Personal expenses should not be mixed with official business expenses. The City will not reimburse employees for personal expenses. Unless otherwise stated herein, the following expenses are normally considered to be personal expenses: expenses incurred by a spouse, family member or guest; pay television; room bar; valet service; entertainment; repairs to personal automobile; laundry,; hair styling,; manicure,; massage therapy,; or personal telephone calls added to bills. Under no circumstances will the City reimburse employees for purchases of alcohol. This is not intended to be an exhaustive and complete list.

h) Credit Cards

The use of the City's credit card by employees who are required to travel for official City business shall be governed by this Policy and the City's Procurement card (P-Card) Program Policy & Procedures.

i) Approvals

The Travel Expense Report form for reimbursement of expenses under this Policy must be made pursuant to Section 6.2 of this Policy.

j) Leave of Absence During Travel

1) When a leave of absence of any kind is taken while in travel status, the exact hour of departure and return to duty status shall be shown on the Travel Expense Report form. Except as provided in the following paragraph, expense reimbursement, including

transportation to and from the employee's regular place of business shall not be granted for such period.

2) Whenever an employee takes a leave of absence because of incapacitation due to illness or injury, not due to the employee's own misconduct, the authorized reimbursement for lodging and meals may be continued during the leave period, but not to exceed in total the authorized cost for return to the employee's regular place of business or residence, whichever is closer, and then back to the assignment.
3) Employees should notify their supervisor as soon as possible if they become ill. The time will be counted as sick leave if it occurs during the employees normally scheduled work hours, and the City's normal sick leave rules will apply.

k) Compensation/Reimbursement for Weekend and Holiday Travel

Employees may be paid lodging and meal reimbursements while in travel status on Saturdays, Sundays, and holidays even though no official business may occur. An employee may be reimbursed for transportation, lodging and meal expenses incurred while returning home over the weekend; provided the reimbursement amount does not exceed the amount that would have been allowed had the employee remained at the city, town or location traveled to.

When travel time exceeds the employee's normal work-week, the City's rules for overtime apply if the employee is eligible for overtime. In determining overtime compensation, normal commute time should be deducted from the total travel time. Additionally, normal unpaid meal periods are not considered work time when employees are traveling.

1) One-Day Travel. For purposes of compensation, travel time over and above the employee's normal daily hours of work shall be considered hours worked.
2) Overnight Travel. For purposes of compensation, travel time that occurs within the employee's normal daily hours of work will be counted as hours worked whether or not said travel time occurs on the employee's normal work day.

<u>Compensated Time. Only time delineated below is compensated.</u>

1. Subject to the rate of pay provision below, time spent at conference, attending conference sessions and, other than attending conference sessions, up to employee's regular daily hours of work.
2. Subject to the rate of pay provision below, travel time corresponding to employee's regular daily hours of work including of normal meal periods if employee travels during such time. If an employee is offered public transportation but requests and is given approval to use his/her vehicle, travel time considered hours worked shall be the shortest travel time to the intended destination between the two forms of transportation.
3. Rate of Pay - Compensated conference and travel time occurring on an employee's regular work-day will be paid at regular time. Any time in excess of the employee's normal work-day is paid pursuant to the City's overtime provisions if the employee is eligible for overtime.

4. If the City requires conference and travel hours occurring on the employee's regularly scheduled days off, they will be compensated pursuant to the City's overtime provisions if the employee is eligible for overtime. All other compensated hours are paid at straight time.

<u>Non-Compensated Time</u>

Unless required by law, all other time (other than time delineated in sections k)i. and k)ii. above) is not compensated (e.g., meal breaks).

l) Family Expenses

Family expenses, including partner/spouse expenses when accompanying employee on City-related business, as well as child or pet related expenses will not be reimbursed by the City. It is not the intent of this Policy to preclude spouses, family members and guests from accompanying an employee to a business meeting at the employee's expense.

m) Proof of Expense/Lost Receipts

Employees and Department Heads will be required to provide detailed receipts for all eligible reimbursable expenses (including daily per diem). On those occasions when it is impractical to provide a receipt or when a receipt is lost, a memo detailing the expenses on the missing receipt must be prepared and signed by the employee. This memo must be approved by the Department Head, or City Manager and attached to the Travel Expense Report routed to the Finance Department.

n) Reimbursements for Other Agencies and Persons

Any amount to be paid by others to reimburse the City for the cost of travel, business expense or representation expense shall be reported on the Travel Expense Report if the revenue is directly tied to the expense reported. The name and address of any agency to be billed must also be shown. Further, the employee may be required to report the reimbursement on the employee's Fair Political Practices Commission (FPPC) California Form 700 Statement of Economic Interests.

o) Reimbursement of Conference Cost

Reimbursement or the City's direct payment of conference cost shall be based upon the minimum number of days and hours to transact City business. Conference brochures with the agenda will be submitted as justification for the days and hours requested.

p) Required Documentation of Travel Expenses

Employees who are requesting reimbursement for travel expenses are required to submit a Travel Expense Report form detailing the entire cost of the travel. A copy of the standard Travel Expense Report form is included as Attachment A. All Departments are required to use this approved form and attach all detailed supporting documentation of expenses (e.g, receipts, invoices, etc. documenting each expense).

At a minimum, the Travel Expense Report form should include the following information:

1) Itemized expenses for authorized lodging, mileage, transportation, and miscellaneous business expenses;
2) Explanation of any expenses which exceed the established limits and of any unusual expenses;
3) Explanation of the purpose for the trip;
4) Description of the type(s) of transportation used;
5) Airline or railroad fares;
6) Rental of motor vehicles;
7) Business related supplies;
8) Conference registration fees;
9) Detailed explanation of any other expenses to be reimbursed.

Employees are required to sign their Travel Expense Report form, attesting that the information presented on the form is accurate and attach all supporting documentation of expenses.

Receipts for parking, tolls, mass transit/taxi/airport vans/car service (e.g., Uber, Lyft etc.), and communications expenses are required. However, if receipts are not available the procedures in Section 2.m) must be followed.

An original or photo a copy of the receipts for meals are required if the employee is claiming meal reimbursement.

q) Deadline For Submission of Claims For Travel Expense Reimbursements

A travel expense is payable or reimbursable out of appropriations for a particular fiscal year. This Policy requires that claims for reimbursement be submitted in accordance with Sections 2.a) and 6.b) of this Policy.

r) Indirect or Interrupted Itineraries for Personal Convenience

Any extra expense incurred as the result of indirect or interrupted direct travel for personal convenience will be borne by the employee. Reimbursement will be limited to the actual cost incurred, or the charges that would have been incurred, via a usually traveled route. Any resulting excess travel time will not be reimbursed and will not be considered work time and will be charged to the appropriate type of leave.

3. Transportation

a) Local

Local travel is defined as: Official business travel performed within fifty (50) miles from Pomona City Hall, and accomplished within one day.

The normal mode of transportation for local travel will be by vehicle, either City-owned or private. Employees are encouraged to carpool whenever feasible to reduce pollution and to eliminate duplication of mileage reimbursements. Travel should be by the most direct route when traveling by private or City owned.

When driving a personal vehicle, employees will be reimbursed round trip mileage for travel by private vehicle at mileage rates presently in effect by the Internal Revenue Service (see www.irs.gov) for business miles. Employees should submit mileage based on Google maps or some alternative mapping system. Reimbursement will be provided upon receipt of the employee's Travel Expense Report form. These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are also reimbursable. If driving a personal vehicle and carpooling, then only the driver of the personal vehicle may claim reimbursement for mileage.

When local travel is necessary to conduct official business, employees are encouraged to use a City vehicle as the preferred means of transportation unless travel by commercial carrier or private vehicle is authorized.

b) Non-Local

Non-local travel is defined as: Official business travel requiring an employee to be away from the City of Pomona substantially longer than the employee's standard working hours and requiring the employee to rest or sleep to meet the demands of his or her work.

Reimbursable transportation expenses include, but are not limited to, all necessary official business travel on railroads, airplanes, ships, buses, private vehicles, taxi fares, & car service (e.g., Uber, Lyft etc.) expenses, bridge tolls, parking and other usual means of conveyance. Employees should take the most direct and commonly traveled routes. Other routes may be authorized when official business requires their use. Employees who receive a vehicle stipend and chose to drive to the non-local destination, will be reimbursed for mileage after the standard 50 mile local travel both ways, a total of 100 miles. Selection of carrier, reservations, and ticketing should be arranged as early as feasible to obtain the greatest discount. Also consider the use of alternative transportation methods, such as using a nearby airport and ground transportation if the total fares are lower.

c) Air Travel

Air travel on official business should be coach class and booked using any common City method of payment. Air travel should not be used into areas in which travel time by ground transportation is less than 3 hours away. Take advantage of lower airfare rates by booking flight as early as possible, and purchasing non-refundable tickets. Employees may sometimes avoid higher airfare by staying over a weekend night. In some instances, an extra night in a hotel/motel can be much less than the added cost of the airfare. Airfares that are equal or less than those available through the Enhanced Local Government Airfare Program offered through the League of California Cities (www.cacities.org/travel), the California State Association of Counties (http://www.csac.counties.org/default.asp?id=635) and the State of California are presumed to be the most economical and reasonable for purposes of reimbursement under this policy.

Employees are expected to use commercial air common carriers as a preferred means of transportation to and from meetings which are greater than 200 miles (one way) from Pomona City Hall unless travel by City vehicle, private vehicle or other means of transportation is authorized by the City Manager or Department Head.

Employees will not be reimbursed for transportation expenses greater than the cost of commercial air common carrier to and from their destination, plus taxi fares, car service (i.e. Uber, Lyft etc.) expenses or shuttle fare, without the prior written approval of the City Manager or Department Head. The Travel Expense Reimbursement form must be completed and approved prior to booking airline flights.

The City will pay for coach or equivalent class airfare. City officials or employees may, at any time, use personal frequent flyer miles or similar programs to upgrade to non-coach travel. In addition, nothing in this Policy shall preclude a City official or employee from personally paying for an upgrade to non-coach travel, including expenses incurred for upgraded seating options.

Key staff and Department Heads may consider taking different flights in case an emergency may occur while in flight.

Airport Parking. Long-term parking must be used for travel exceeding 24-hours and employee shall retain receipt for reimbursement.

Excess Luggage Weight. Charges for luggage in excess of the weight or size carried free by transportation companies are reimbursable if such excess weight or size is required for official business (excess personal luggage expense is not reimbursable). Charges for storage of the luggage are also reimbursable if related to official business. Specific justification must be submitted with the Travel Expense Report form for incurring the luggage weight and storage charges.

d) Receiving Promotional Materials and Frequent Flier Programs

City employees traveling on official business may have the opportunity to receive promotional materials and frequent flier program awards. The City will follow the guidelines for use of promotional materials and travel awards, as set forth below:

1) Employees may receive promotional benefits or materials recommended by a travel service provider; however, any such promotional benefits or materials received from a private source in connection with official City travel are considered the property of the City of Pomona. Any City representative traveling on official business must:
    a. Accept the benefits or materials on behalf of the City of Pomona; and
    b. Turn the benefits or materials over to the City of Pomona in accordance with this Policy.
2) Employees are encouraged to join frequent traveler programs to realize cost savings or reduce official travel costs.

3) Frequent traveler benefits earned on official travel may be used to obtain travel services for a subsequent official travel assignment(s).
4) Employees must utilize the least expensive means of purchasing tickets without regard to whether or not the provider gives frequent travel benefits.
5) Employees must establish separate frequent traveler accounts for personal and official use. Employees may not utilize frequent travel benefits accrued on an official account for personal use.

e) Rail Travel

Rail travel shall also be at coach class or equivalent. In cases where rail travel exceeds eight (8) consecutive hours of travel from point of origin to destination, sleeping accommodations may be authorized. Such accommodations must have the prior written approval of the City Manager or Department Head.

f) Private Vehicle

A private vehicle may be used in lieu of air travel for non-local travel if it is more advantageous to the City. Prior approval must be obtained from the City Manager or Department Head. However, the total documented mileage and all other transportation expenses incurred cannot exceed the airfare amount. The City shall only reimburse the lesser of the two means of travel. For employees, the additional time spent driving must also be considered and approved by the City Manager or Department Head prior to the trip.

When using a private vehicle, appropriate mileage reimbursement shall be processed. All travel claims should be submitted reflecting the starting and ending points at Pomona City Hall, regardless of where the actual travel began or ended (e.g., home), unless the starting point was another location travelled to for City business in route to the destination. Reimbursement shall be at the current rate authorized by the Internal Revenue Service (see www.irs.gov). Any gas, damages, needed service, or repair to the employee's personal vehicle occurring on the trip will be the employee's responsibility, as these costs are included in the per mile cost reimbursement.

When driving a privately-owned vehicle on official business, employees shall meet the following conditions:

1) Have a valid California driver's license;
2) Comply with California statutory requirements for vehicle insurance;
3) Use economy parking when available (the City will only reimburse at the economy rate).

g) City Vehicles

City vehicles may be used if they are available. If refueling is necessary, the employee may request reimbursement for any gasoline purchases documented with a receipt. Employees must check the vehicle for safety and damages before beginning travel.

h) Rental of Motor Vehicles

Rental vehicles must be approved in writing in advance. Employees obtaining rental vehicles cannot also be the approval official. Rental vehicles, at City expense, may be obtained when on official business only under exceptional circumstances related to business necessity, not personal convenience, and only if other modes of transportation are not available, too costly, or impractical. Rental rates that are equal or less than those available through the State of California's website (http://www.catravelsmart.com/default.htm) shall be considered the most economical and reasonable for purposes of reimbursement under this policy.

Unless a larger vehicle is required for City business, only intermediate size or smaller vehicles, or vehicles with an equivalent rental rate, will be authorized. If two or more persons are attending the same meeting or conference, and a vehicle is needed for official business, only one vehicle may be rented at City expense. Employees may purchase additional liability and collision/comprehensive coverage offered by the car rental agency at the employee's sole cost and expense. As a precaution against paying for pre- existing damage, employees are required to carefully examine the condition of the rental vehicle before leaving the lot, and immediately report any damages to the car rental office. Employees must refill the gas tank before returning the car to the rental agency. Employee(s) shall be fully reimbursed for gas purchased prior to returning the care to the rental agency with proper receipt(s).

i) Public Transit and Carpooling

Employees are encouraged to make optimum use of available public transit services and carpooling.

j) Shuttle, Taxi fares, or Ride Share Service (e.g., Uber, Lyft, etc.) Expenses

Shuttle, taxi, or/and ride share service (i.e., Uber, Lyft, etc.) expenses between the airport and the business meeting site or hotel, as well as any reasonable transportation costs between the employee's home and airport will be paid by the City. Shuttle, taxi or ride share service (i.e., Uber, Lyft etc.) expenses shall be incurred for public agency business reason(s) only.

Shuttle, taxi, ride share service (i.e. Uber, Lyft etc.) expenses may be reimbursed, including a fifteen (15) percent gratuity per fare, when the cost of such fares is equal or less than the cost of car rentals, gasoline and parking combined, or when such transportation is necessary for time-efficiency.

4. Lodging

Lodging is allowed only for non-local travel. Employees will be reimbursed for the actual lodging expenses, provided the expenses are reasonable. Lodging expense may be paid by the City directly to the hotel. Hotel reservations may be guaranteed or paid with the employee's P-Card, or the employee's personal credit card, with the expense being reimbursed upon return.

a) Lodging Daily Rate

Lodging expense reimbursement is limited to the lodging establishment's lowest available rate for normal single occupancy on the day (or days) the lodging expense was incurred.

b) Lodging Days of Occupancy

The City will pay for lodging for the evening preceding and up through and including the last day of a non-local convention or business event if the employee would have to travel at unreasonably early or late hours to reach his or her destination.

c) Official Lodging Receipts

Itemized lodging receipts are required for reimbursement. The official receipt (folio) from the lodging establishment must be submitted with the employee's Travel Expense Report form. Receipts provided to employees using express checkout are also acceptable provided that the dates of lodging, the daily room rate, and the total lodging charges are in agreement. Credit card receipt paper does not qualify as a lodging receipt.

In limited exceptional circumstances, the lodging expense may be reimbursed without the official receipt in accordance with Section 2.m). The City Manager, Department Head, or designee authorized to approve the travel forms, must approve the justification.

d) Not Required To Share Lodging

Employees are not required to share lodging accommodations with other employees when traveling on City business. When a City employee on travel status is accompanied by someone who is not a City employee on travel status, the City employee is entitled to reimbursement at a single room rate.

e) Convention Hotel Recommendation

All lodging reservations to attend a convention, conference, seminar, symposium, workshop or similarly titled event may be booked directly by the employee at the hotel where the event is held upon receipt of prior approval as indicated in Section 2.a) above. Whenever possible, the employee should stay at or very near a hotel that is specified by the conference or seminar they are attending. A higher cost may be justified in order to avoid wasting training time and incurring excessive transportation costs between a lower cost hotel/motel and the location of the meeting.

If such lodging is in connection with a convention, conference, seminar, symposium, workshop or similarly titled event, lodging expenses must not exceed the group rate published by the conference sponsor for the meeting in question if such rates are available at the time of booking. If the group rate is not available, see next section.

f) Government Rate or TOT Exemption

When making arrangements for lodging, a request should always b e made for a government rate. If such a rate is available and lower, it should be used.

Some cities exempt a government employee traveling on government business from the local transient occupancy tax (TOT), employees must to ask for this exemption.

g) Alternative Lodging

An employee may stay with a friend or relative while attending an out of town meeting or conference; however, the City will not reimburse the employee for any payment to the friend or relative for lodging, meals or transportation.

h) Hotel Shuttle Service

Most major hotels offer free "courtesy shuttle" service to and from the airport. Often there are motel/hotel telephones with direct free lines to the motel from the airport terminal. On arrival, employees should call the hotel, confirm the reservation and ask to be picked up. If this service is not available, ask at the information desk about the airport bus service to the hotel.

Taxis or ride share services (e.g., Uber, Lyft etc.) shall only be used when there is no courtesy shuttle or bus service available from the airport.

i) Lost Luggage

If an employee finds that their luggage has not arrived on the flight with them, an employee should tell the airline baggage office where they are staying and to deliver it when it does come in. The airline should deliver it at no charge. The City will not reimburse the employee for lost items.

5. Meals

a) Per Diem

The City shall provide reimbursement of business expenses at the per diem rates published by the federal government on the gsa.gov website. This information is updated annually and is specific to certain areas. Meals, food and beverages charged to a motel/hotel room via room service shall be counted towards the per diem. Meals, food and beverages included in conference/meeting registration costs will result in the employee's eligibility to receive per diem reimbursement for the provided meal.

Employees receiving reimbursement will retain all receipts as support for the travel and expense forms. The amount of the employee's per diem is limited to the daily M&IE rate in effect for the area the employee travelled to for City- related business under the gsa.gov website by the number of full days he or she was travelling for City-related business, plus the reduced per diem rates for the first and last day of travel.

Under this Policy, employees shall not receive per diem in advance.

b) Tipping

Reasonable gratuities paid for meal service, baggage handling or necessary physical assistance are considered payments for service and are reimbursable expenses. Include gratuities paid to meal servers in the cost of each meal shown on the Travel Expense Report form. Baggage handling fees of up to $1 per bag and gratuities of up to fifteen (15) percent will be reimbursed. Expenses for which City officials receive reimbursement from another agency are not reimbursable. Gratuities paid to baggage handlers or for necessary physical assistance are to be reflected in the "other expense" column of the Travel Expense Report form.

c) Business Meals

As long as in compliance with other applicable laws, employees may be reimbursed for the cost of their business guests, including tip, for the meal when approved by the City Manager or their Department Head as necessary in the conduct of official business. The City will purchase meals, excluding alcohol, when necessary to maintain an "arms-length" relationship with developers, contractors and vendors. A list of guests must be attached to the Travel Expense Report form, indicating all guests for whom the meal was purchased by the City.

d) Alcoholic Beverages

Alcoholic beverages consumed with meals shall be considered a personal expense of the employee. Under no circumstances shall City funds be used to purchase alcohol or reimburse employees for alcohol related costs.

6. Payment Methods and Reports

a) Payment Methods

There are two ways to pay for travel expenses:

1) Direct vendor payment; and
2) Employee reimbursement

Direct vendor payments are made by the City to an organization to pay for specific travel related costs. These are usually registration fees, lodging, and airfare, and can be paid through Accounts Payable or through the use of a City credit card. The second method of payment is employee reimbursement which occurs when the employee elects to pay for some or all travel related expenses first, and is reimbursed upon completion of the travel and submittal of an approved Travel Expense Report form requesting reimbursement.

To obtain either direct vendor payments, the employee must complete a Travel Expense Approval form and attach a copy of the flyer or brochure announcing the event including the agenda, as well as any other appropriate supporting documentation.

b) Accounting for Expenses

Upon return, a final accounting of all expenses must be approved by the City Manager or Department Head and submitted to the Finance Department within seven working (7) working days. Police Department employees shall have fifteen (15) days to submit their Travel Expense report to their Department Head.

After completing the Travel Expense Report form, the employee should attach all required receipts and supporting documentation for expenses, sign the report attesting to its accuracy, and submit it to the City Manager or the employee's Department Head for review and approval. The City will process the reimbursement on the next accounts payable check register.

The Travel Expense Report form must be properly completed by the employee and approved by:

- Department Heads or employee reporting directly to the City Manager must be approved by the City Manager.
- Other employees must be approved by their Department Head.

The City Manager or Department Heads approving expense reports are responsible for ensuring that:

- All expenses are reasonable, necessary, and consistent with these guidelines.
- All required receipts are attached.
- The final disposition is correct.
- Final accounting of all expenses is submitted to the Finance Department.

c) Excess Reimbursements or Per Diem Amounts.

In the event that an employee receives a reimbursement or per diem amount in excess of the expenses incurred, the employee is required to return the excess to the City within 120 days.

7. Local Meals and Reimbursements

The City will reimburse the expenses of employees and official guests when conducting official business in and around Pomona when authorized by the City Manager or a Department Head. Local travel is defined in Section 3.a)

a) Local Business Meal Expenses

Local business meal expense is eligible for reimbursement if incurred in the necessary discharge of the employee's official duties. Employees are expected to limit themselves to what is appropriate for the occasion and location. Reimbursement will be made only in those instances w h e n clearly related to official business. Casual or routine meals with individuals, consultants, employees of the City or other local agencies, where the purpose is primarily social, are not eligible for reimbursement. For the City Manager, City Attorney and Department Heads, attending service club meetings is considered official business and could be eligible for meal reimbursement.

The City will pay the expenses of City employees when attending meetings or conferences held locally which do not include overnight accommodations. When these meetings include meals, which are not paid for in the cost of registration, or other expenses, the City will reimburse the employee reasonable gratuities of up to fifteen (15) percent and any other valid expenses resulting from attendance of the meeting or conference. If meals are not included in the cost of registration or as part of the meeting or conference, the City will not reimburse the cost.

8. Official Representative's Expense

City employees or designated individuals are occasionally asked to represent the City or participate in events, celebrations, or special meetings to promote the interests and traditions of the City. Such events and activities normally celebrate National, State or local holidays. However, they may include promotional events; celebrations recognizing individuals for service to the City and/or participation in activities of organizations with a State-wide or regional goal to represent promote or advocate good government and policies of the City.

To ensure that City representatives are appropriately reimbursed for participation in these events or reimbursed for sponsoring these events, the City Manager may authorize employees and officials to be reimbursed for those expenses incurred when representing the City.

When these expenses have been authorized, the City's representatives are expected to use good judgment and incur only those expenses that are reasonable and appropriate based on the occasion or event, place, time, setting and participants involved.

Expenses for official representatives may be authorized for the following:

a) To reimburse officials and employees for expenses of an adult guest who is not a family member when they are official guests of the City at events, meetings, celebrations or activities sponsored by the City; or
b) To pay for the cost of sponsoring or participating in State-wide or regional activities and events to promote good government, business, or activities in the City; or
c) To pay for the cost of hosting Sister City events and activities; or
d) To pay costs associated with attending meetings, conferences, and celebrations to promote the City, to recognize individuals or groups and/or to promote good government. Includes the costs of meals, lodging, transportation, gifts, decorations for employees and guests.

9. Allowable and Non-Allowable Expenses

a) Telephone and Facsimile Messages

Expenses for official business telephone calls, fax transmissions, internet usage, or other authorized communications that must be paid by the employee are reimbursable by the City.

b) Purchase of Services and Supplies

Expenses for stationery, supplies, photocopying, or duplicating services may be reimbursed, provided the expense is directly associated with a work related project and the cost is reasonable. In addition, work related postage expenses may be reimbursed. Employees requesting reimbursement of these expenses must document actual expenses on the Travel Expense Report form and explain the purpose for these expenses. Receipts/invoices must accompany the Travel Expense Report form.

c) Laundry and Valet Service

Notwithstanding other provisions herein, the actual cost of laundry and/or valet service are reimbursable expenses when employees are required to be away from the City for more than six days at one time or the conditions under which they are required to work while away from the City create a more than normal need for such services.

d) Miscellaneous Expenses

The following are examples of reimbursable and non- reimbursable expenses subject to the limitation of the rules herein:

Reimbursable Expenses:

1. Airline fares
2. Railroad fares
3. Bus, shuttle, taxi fares & ride share services (e.g., Uber, Lyft etc.) expenses
4. Rental cars (requires prior written approval)
5. Personal vehicle mileage at the IRS approved rate
6. Garage & parking fees
7. Bridge & highway tolls
8. Hotel/motel rooms at rates considered reasonable under circumstances
9. Meals as specified
10. Postage, telephone, telegraph, fax, internet usage & express mail for business purposes
11. Appropriate tips
12. Printed materials, tapes, or other training material that may be available for sale at the conference or seminar.

Non-reimbursable Expenses:

1. Personal entertainment
2. Tour bus fees or sightseeing tours
3. Traffic and parking violations
4. Theft, loss or damage to personal effects
5. Incidentals such as haircuts, shaves, manicures, magazines, shoeshine, newspapers, tobacco, etc.
6. Luggage, briefcases, etc.
7. Air insurance policies
8. Medical expenses
9. Household expenses while away from home
10. Expenses of employee’s spouse and family on a business trip
11. Cocktails or Alcoholic Beverages
12. Unexplained or unaccounted for expenses
13. Exercise, sauna or steam room, massage and spa treatment expenses
14. Attendance at quasi-social functions such as retirement"” or testimonial dinners unless approved in advance by the City Manager.
15. Personal phone calls

16. Movie channel rental expense
17. Baby-sitting expense

10. Definitions

The following definitions have been used:

Employee

For the purpose of this policy, “employee” shall mean all employees of the City of Pomona, including department heads. This includes permanent, part time, seasonal, temporary, and volunteer and contract employees.

Business Expense

Expenses incurred by employees in official City business for transportation, meals, lodging, incidental expenses and registration expenses at conferences, training and meetings.

Business Meal

This means a meal expense incurred by an employee in the conduct of official business.

Lodging

This means a hotel, motel, inn, or similar entity that furnishes lodging to the public for pay.

Official Business

The conduct of official City business by City officers and employees when performed for a public purpose. Official Business includes events from which the City derives specific benefits through attendance or conduct of City officers and employees.

Official Representative

Includes persons under contract or designated by the City Council to represent the City on public business.

11. Not All-Inclusive

This Policy does not claim to have addressed all contingencies and conditions that may arise in the course of City travel. Accordingly, the basic standard that should always prevail is to exercise good judgment in the use and stewardship of the City’s resources.

Any necessary and reasonable expenses that may from time-to-time be justified due to circumstances or opportunities for the City will be honored upon approval of the Travel Expense Report form submitted with adequate documentation and justification.

a) Penalties and Enforcement

Employees who violate this Policy are subject to appropriate disciplinary or corrective action, up to and including termination.

CITY OF POMONA

Travel Plan & Expense Report

Attachment A

Part I - Travel / Conference / Training Plan *(To be Completed Prior to Event)*

Name: ____________ Title: ____________

Department: ____________ Division: ____________

Conference / Seminar Title / Sponsor: ____________

Dates of Meeting: From ______ ______ Destination: ____________

Expense Budgeted: ☐ Yes ☐ No Account Number to be Charged: ____________

Purpose of Travel / Overnight Accomodations: ____________

Employee's Training Needs: ____________

Estimated Expenses & Pre-travel payments				- Finance Use -		
Expense Type	**Check / P.O. Issued to:**	**Calculation**	**Amount**	**Vendor #**	**Check #**	**Issue Date**
Lodging: Confirm#						
Per Diem:						
Transportation:			$0.00			
Registration Fees:			$0.00			
Other (specify)	Parking		-			
Total Estimated Expense			-			
Amount of Expense Advance Requested (Check made payable to attendee)			-			

Attendee's Signature

By signing here, I acknowledge that receipts are required for all expenses and must be attached to this form and submitted to Finance within 15 days after completion of the travel. I understand that if receipts are not submitted, reimbursement for the expenses may be denied and applicable advanced funds must be repaid.

Employee Date

Supervisor ____________ Date

Department Director ____________ Date

City Manager ____________ Date

Part II - Expense Report *(Show all expenses including pre-paid expenses upon completion of Travel / Conference / Training)*

Expense Type	**Prepaid Expenses**	Sun / /	Mon / /	Tues / /	Wed / /	Thurs / /	Fri / /	Sat / /	**Total**	**Notes**
Transportation / Car Mileage										
Hotel										
Registration										
Telephone / Fax										
Breakfast **(See Note below)**										
Lunch **(See Note below)**										
Dinner **(See Note below)**										
Tips (other than meals)										
Taxis / Shuttle / Parking /										
Other / Conference Materials										
Totals										
Less Advance Received, Prepaid Expenses, and City Credit Card Charges										
Amount due Employee										

INSTRUCTIONS: Part I must be completed and submitted for approval in advance of event. Part II should be filled out upon return of the event. Per Diem Note: Per diem amounts are based on the federal GSA.gov rates per region. **The City where the training occurs** is the location searched on the GSA.gov website. **The Meals & Incidentals (M&IE) breakdown** should be printed out with all supporting documentation of the Travel & Expense form. **Attach all receipts and all support for each expense.**

I certify that the foregoing statement is correct

Employee Signature: ____________ Date

Supervisor Approval ____________ Date

Dept Head Approval: ____________ Date

Finance Dir Approval: ____________ Date

I. Purchasing & Polices Procedures Manual (Staff Administrative Procedure)

1. Purpose and Scope

The purpose of the Purchasing & Policies Procedures Manual is to guide staff members in the purchasing of goods and services on behalf of the City by establishing responsibilities and authorization levels, outlining statutory requirements, and setting forth the policies and procedures that govern purchasing activities.

These guidelines are not intended to address every issue, exception or contingency that may arise in the course of purchasing activities. Accordingly, the basic standard that should always prevail is to exercise good judgment in the use and stewardship of City resources that have been entrusted to staff and are the responsibility of all City employees.

These policies and procedures were developed to protect both staff and the residents we serve. It is imperative that we seek not only to avoid any impropriety, but even the appearance of an impropriety. For this reason, employees are expected to uphold the highest professional standards in conducting the City's business and adhere to the guidelines set forth within this document.

The Purchasing Department offers procurement services, monitors policy compliance, administers Citywide contracts, manages vendor relationships, oversees the procurement card program and establishes electronic procurement system functionality.

While many of the procedures may seem ‘bureaucratic’, they are necessary to maintain internal controls of the purchasing process and are a key tool in helping the City meet its fiscal responsibilities. The objective of internal control systems is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles.

The three most common types of internal controls are using and documenting standard operating procedures (this document); formalizing approval authorizations; and separation of duties. None of these approaches in themselves can guarantee the appropriate use of City assets at all times, but they represent a reasonable effort to reduce the opportunity for misuse of City assets.

Of the three approaches noted above, “separation of duties” is the most common internal control method used to ensure that no one individual has total control over an accounting transaction. For this reason purchasing makes the purchase, the department approves the payment, and accounts payable makes the disbursement. It is still the City’s responsibility to establish reasonable controls to reduce the opportunity and temptation to misuse City assets. Additionally, it is the responsibility of every City employee to detect, report and prevent fraud, misappropriations, and other irregularities. If you have any questions, please do not hesitate to ask a member of the purchasing staff.

2. Ethics in Purchasing

City employees involved in any aspect of the procurement process are required to conduct themselves according to the Ethics in Public Contracting as described in City Ordinance No. 4276 (Appendix A). The competitive nature of public procurement and the expenditure of public funds require strong ethical standards at all levels of purchasing activities.

Staff must balance fostering mutually beneficial vendor relationships while not creating an appearance of impropriety. The City's Conflict of Interest Code allows an employee to report any potential conflicts.

Examples of conflict of interest and gratuities and kickbacks are as follows:

a) Accepting gifts, favors or items of value from a vendors or potential vendors.
b) Having a legal conflict of interest when a City employee has influence in the selection process and has a financial interest in the company receiving the award from the City.
c) An employee should never disclose a vendor's current price quote to other vendors. This type of behavior is frequently reported to authorities by vendors who have been harmed by such activity. Prices and other information provided in the purchasing process must not be divulged until made public.

If there is a potential conflict of interest, the staff member should immediately notify their supervisor and the Purchasing staff member they are working with to ensure proper precautions are taken to safeguard the procurement process.

Unfair Advantages

Fairness and transparency are the cornerstones of the municipal procurement process. During an open solicitation, a term called the "cone of silence" is often used to describe the time period, which begins with the solicitation being advertised through successful award of a contract. The cone of silence is meant to safeguard any information that could provide an unfair advantage to prospective bidder/proposer. The cone of silence means that no communication is undertaken with any prospective bidders in any form. The Purchasing Division will always ask to control all communications once a solicitation has gone public to ensure that there is no appearance of inappropriate communications or unfair advantages being created.

Understanding the 1090 Rule:

In the state of California, consultants who often work closely with agencies in developing project plans, scoping out terms of service or planning long-term program goals often have the potential of running into the California Government Code 1090 issue.

The rule states that one cannot serve in two capacities on the same contract. For example, a consultant cannot assist in scoping a proposal document and then compete to win the award of the resulting contract. It is a direct violation of 1090. Although more often relevant in engineering and architecture consulting, 1090 violations can occur in all disciplines and vendors that have partnered with the City on projects should be warned in advance that scope planning will preclude them from competition.

Public Information

Information in the Purchasing Division is considered "Public Information" subject to certain provisions. All bid and proposal documents, including the Request for Bid, Request for Quotation, Request for Proposal, or Request for Qualification, the public notice advertisement, all amendments and attachments, and all submittals shall be a matter of public record. The City Attorney will review all requested documents prior to being released. Documents are located and available on the City's on-line bid management system and is available to those seeking information.

3. Purchasing Authority

City Departments must procure and establish contracts in accordance with purchasing ordinance 4276. Purchases obtained by any other methods not permitted under the ordinance may be considered void and subject to termination.

Invoices without a valid purchase order number may be returned to the supplier unpaid. Employees involved in the procurement process must consider the following when requesting and approving purchases:

- Only the City Council, City Manager or Procurement Officer can commit the City to a contract for goods or services. Vendors must be made aware of staff's limited authority in contract approval.
- The authority to increase contracts for goods and services, prior to implementation of the change, is as follows:
    - If the total expenditure is less than 25% of the original contract or will not cause the total contract to exceed $100,000, the Finance Director or Procurement Officer have the authority to approve the amendment.
    - Increase of more than 25% or that cause the total contract to exceed $100,000 must be approved by the City Council, unless there has been a delegation of authority.

<u>Procurement Officer and Finance Director</u>

The Finance Director has the authority to designate an individual(s) as the Procurement Officer of the City. The Procurement Officer's authority and responsibilities include:

a) The authority to approve any purchase or contracting of competitive supplies, services and equipment where the annual cost, per scope of service, per vendor and does not exceed $100,000 during a Fiscal Year period.
b) Authority to approve informal and formal sole or single source purchases between $5,000 and $50,000.
c) Negotiates and recommends execution of contracts.
d) Ensures a full and open competition as often as possible on all purchases.
e) Designate individuals including, but not limited to the Buyer to function as Procurement Staff.
f) Authority to resolve protest.
g) Authorize emergency purchases.
h) Manage surplus City property, including sale and disposition.

<u>City Manager</u>
The City Manager must approve procurements that exceed the authority of the Finance Director and Procurement Officer. The City Manager has the following authority:

a) Award any formal bid or proposal between $100,000 and $150,000.
b) Approve formal agreements between $100,000 and $150,000.
c) Approve maintenance and software agreements exceeding $50,000 for equipment and software maintenance agreements previously approved by the City Council. The award of a maintenance or software agreements must be to the same company as approved by City Council.
d) Approve and execute contracts for Public Works/Water Resource Projects between $60,001 and $200,000.
e) Approve and execute contracts for Professional Services for all CIPS between $60,001 and $200,000.
f) Approve informal and formal sole or single source purchases between $50,000 and $100,000.

<u>City Council</u>
The Council must approve procurements that exceed the authority of the City Manager. Typical purchases that require City Council's approval include:

a) The City Council has the authority to award any formal bid or proposal in excess of $150,000.
b) Approve formal agreements over $150,000.
c) Approve and execute contracts for Public Works/Water Resource Projects over $200,000.
d) Approve and execute contracts for Professional Services for all CIPS over $200,000.
e) Approve informal and formal sole or single source purchases over $100,000.

Staff Reports

When preparing Staff Reports to award a Formal RFP, please include the following language in the Procurement Process Section:

> On (Insert Date) a Request for Proposal (RFP) No.(Insert RFP No – and "RFP Name")- was issued on the City's electronic bidding platform. The solicitation notified (Purchasing will provide this number) potential suppliers, of which (Purchasing will provide this number) suppliers downloaded the RFP, resulting in the City receiving (Purchasing will provide this number) proposals. All (Purchasing will provide this number) proposals met minimum qualifications and were then evaluated on a (Purchasing will provide this number) point scale based on Responsiveness and Compliance, Qualifications, Past Performance, Project Approach and Price Proposal. (Insert Vendor/Contractor/Consultant Name) proposal was selected as the highest- ranking proposal by the Evaluation Committee. (Add language pertaining to price proposal). Therefore, Staff recommends that the City Council authorize the City Manager to execute the attached agreement (Attachment #) to start on Month XX, 20XX, or as soon as possible thereafter.

4. Contract Formation and Source Selection

There are several purchasing mechanisms used in the procurement process. Each has specific guidelines for use.

A purchase order (PO) is a legal contract with pre-determined terms and conditions. The terms and conditions are stipulated on the issued PO. The financial management system assigns each PO a number. The Finance Department approves every PO.

Procurement Card Purchases (P-Card)

P-Card purchases are to allow a quick, easy method of procuring inexpensive, non-recurring items for departmental operations. Departments have been delegated the authority to procure up to $3,000 per single transaction within certain parameters established by Purchasing. Please review the P-Card Program Policy and Procedures for further information regarding P-Card purchases.

Purchase Order

The Purchase of services, supplies, professional services and equipment of $5,000 and over shall be made by purchase order issued by the Purchasing Agent. Appropriate documentation, demonstration of selection process, appropriate approval, non-competitive documentation (if applicable), scope of work and contracts are required as part of the purchase order.

Under no circumstance should any officer or employee of the City request a supplier to deliver goods and/or services, professional services or equipment prior to an issue of a PO by the Purchasing Division.

City departments must verify an available budget prior to submitting purchase requisitions to Purchasing. Purchase orders, once approved will encumber funds in the City's financial management system.

Under certain circumstances, there are exemptions for obtaining purchase orders:

a) Subscriptions
b) Refunds
c) Membership Dues
d) Credit Card Purchases
e) Registration Fees
f) Authorized Meal Expenses
g) Conference Expenses
h) Travel Expenses
i) Reimbursements
j) Other Government Agency Fees
k) Petty Cash Reimbursements
l) Training (Outside City of Pomona)
m) Rentals
n) Library Books, subscriptions, periodicals, journals
o) Uniform Allowances
p) Mileage reimbursements

Open Purchase Order

Open Purchase Orders are used at the department level to secure goods, services, and professional services on an as needed basis to support ongoing City Operations and support various City departmental functions. Open Purchase Orders are only valid for one (1) fiscal year.

Blanket Purchase Order

Blanket Purchase Orders are established by Purchasing in the financial management system for the purchase of Citywide goods and services. Examples of blanket purchase orders are Home Depot, Waxie and Konica Minolta. Purchasing will release a list of blanket purchase orders at the beginning of every fiscal year. Departments will reference the Citywide Blanket Purchase Order when creating the requisition for their own Department.

Contracts

Contract Approvals

City Council must approve all formal contracts with an **aggregate** amount in excess of $150,000. Signature authority will be delegated to the City Manager unless City Council authorizes otherwise. Formal contracts are required for all consulting/professional service agreements and construction contracts.

All contracts require City Attorney approval as to legal form. The Risk Manager shall review the contract company's insurance certificate. Use the Contract/Agreement Checklist to ensure all reviews are completed. Departments should print three (3) copies of the contract and have the vendor sign them in blue ink.

Contract Terms

City Code does not allow contracts to exceed five (5) years. Current practice allows for an initial term of three (3) years and two (2), one (1) year extensions. After the fifth year, no extensions will be approved unless extenuating circumstances exist.

Contract Amendments

The Finance Director and Purchasing Manager have the authority to approve contract amendments that will not increase the contract more than 25% and/or cause the total amount of the contract to exceed $100,000. If either of these conditions exceed the approval authority for the Finance Director or Purchasing Manager, the department will be required to obtain City Council approval to increase the contract.

For example, a department has a contract with XYZ Corp for $80,000. Staff creates an amendment for 15%, increased the total contract to $92,000. Another amendment is requested to increase the contract another 10%, increasing the total contract to $101,200. Because the second amendment to the contract exceeded the informal amount set by City Code, staff will be required to obtain City Council approval for the second amendment increase.

Retroactive Contracts

Retroactive contracts are not permitted and if they occur, the contract will be considered invalid unless it is ratified by the City Council.

Public Works Projects and Professional Services for All CIPs

Public Works projects and Professional Services for All CIPs are performed on property owned by the City. The City utilizes Public Contract Code § 22032(a-c) to establish the limits defining if the bid should be informal or formal.

Informal Changes Orders – Public Works Projects

Change orders will be identified as an unforeseen construction event once the project has begun. If the project was awarded by an informal procedure the aggregate of all change orders cannot exceed 25% or exceed the informal limit defined in Public Contracts Code § 22032(b). If the cumulative amount of the change orders is greater than 25% of the original contract or will cause the amended contract amount to exceed the informal limit set by Public Contracts Code § 22032(b), approval of the change order will require City Council approval.

Formal Change Orders – Public Works Projects

Change orders will be identified as an unforeseen construction event once the project has begun. The City Manager has the authority to approve and execute aggregate change orders up 25% of the original contract amount. If aggregate change order exceed 25% of the original contract amount, change order will require City Council approval.

Informal Amendments – Public Works Projects

An amendment will be identified as adding additional projects not included in the contract's original scope of work. The City Manager has the authority to approve and execute aggregate amendments up 25% of original contract. If aggregate amendments exceed 25% of the original contract amount, amendment will require City Council approval.

Formal Amendments – Public Works Projects

An amendment will be identified as adding additional projects not included in the contract's original scope of work. The City Manager has the authority to approve and execute aggregate amendments up 25% of original contract. If aggregate amendments exceed 25% of the original contract amount, amendment will require City Council approval.

Amendments – Professional Services for all CIPs

An amendment will be identified as adding additional projects not included in the contract's original scope of work. The City Manager has the authority to approve and execute aggregate amendments up 25% of original contract. If aggregate amendments exceed 25% of the original contract amount, amendment will require City Council approval.

Insurance and Bonds

Insurance and bond requirements for Public Works Projects and Professional Services for CIP will be listed in the bidding documents. City Staff shall ensure that all insurance certificates and bond documents are received from vendors prior to work beginning.

Selection – Professional Services for All CIP Projects

The City uses a best value evaluation when evaluating proposals, whereby evaluation criteria may include qualifications and experience, technical and functional specifications, cost, financial stability and references. The establishment of the evaluation criteria should occur prior to the release of the bidding documents and the categories of evaluation should be included in the bidding documents. The evaluation panel reviews and scores the proposals using the predetermined evaluation criteria. Contracts for certain professional services including architecture, professional engineering, environmental, land surveying and construction project management are selected on the basis of expertise and competence before cost proposals are opened.

5. Solicitation Methods

Informal Quotes

Informal quotes are for the purchase of goods, supplies and services up to $4,999. Informal quotes may be solicited by email, fax, informal correspondence or the internet, as well as the electronic procurement system. Informal quotes are required to solicit at least three vendors. This type of solicitation method should be used for micro-purchases.

Invitation for Bid (IFB)

This process is for the procurement of goods, services and equipment between $5,000 and $100,000. IFBs is used to establish an open purchase order and establish pricing for a set term of years. The bid is often awarded to the lowest, most responsive and responsible bidder.

Request for Quote (RFQ)

An informal solicitation normally used to solicit quotes for the one time purchase of goods, services and equipment between $5,000 and $100,000. The bid is often awarded to the lowest, most responsive and responsible bidder.

Request for Qualifications (RFQual)

This is a solicitation method used to solicit qualified contractors and consultants for services. Examples of when an RFQual is used, but not limited to, are the Master On-Call List, Landscaping, and Security Services. Responders that meet the qualification criteria listed in the RFQual documents will be included in the subsequent Request for Proposals solicitations.

Request for Proposal (RFP)

A formal solicitation used for the purchase of services, complex systems and high value equipment. Procurements $100,000 and greater are required to be an RFP, but RFPs may be used for purchases under this threshold. Public notice for invitations for all RFPs will be posted on the City's electronic procurement system and the City website. The City uses a best value evaluation when evaluating an RFP, whereby evaluation criteria may include qualifications and experience, technical and functional specifications, cost, financial stability and references. The establishment of the evaluation criteria should occur prior to the release of the RFP and the categories of evaluation should be included in the RFP. The evaluation panel reviews and scores the proposals using the predetermined evaluation criteria. Contracts for certain professional services including architecture, professional engineering, environmental, land surveying and construction project management are selected on the basis of expertise and competence before cost proposals are opened.

Arts in Public Places (AIPP) Exception

The Finance Director has the authority to allow exceptions to the formal and informal procedures. The Arts in Public Places Program shall operate as exception to formal and informal procedures, as procedures for procurement of art and artists were adopted separately by City Council. The Arts in Public Places Program procurements shall follow provision specifically laid out in Ordinance 4151 and the Public Art Manual (Resolution No. 2011-150).

6. Competitive and Non-Competitive Procurement

Sole Source/Non-Competitive Procurement

A sole source or non-competitive procurement allows the City to bypass the formal solicitation process. Examples of possible sole source/non-competitive purchase of goods and services include, but are not limited to:

a) Availability through a single source
b) Items or systems that are proprietary
c) To match existing system
d) Manufacture-direct acquisition
e) Something available only from a vendor with a geographically protected distribution area.

The Department Head must approve sole source procurements before sending the memo for final approval. The reasoning the department is pursuing a sole source/non-competitive procurement must be provided in the memo. The department should request information from the vendor or supplier that confirms the sole source of the goods or service.

Single Bid or Proposal

In the event a single bid is received on a formal competitive bid as long as the following has occurred:

- The bid was posted on the City's electronic bidding system and sent to three (3) or more potential proposers.
- The sole proposal was evaluated based on the criteria set forth in the "Request for Proposal" section of this Manual.

If this criteria has been met then a formal bid can be awarded.

Emergency Procurement

An emergency is an event or condition that has an operational effect on a department that requires the securing of goods or services that could not be planned for by operational staff. Examples of possible emergency purchases are as follows:

a) Require immediate preservation of health
b) Safety and welfare of the people
c) Immediate repair to existing City equipment that affects ongoing city operations
d) Protection of property and with a present immediate and existing emergency, which could not be reasonably foreseen.

Additionally, if a local emergency has been declared pursuant to City Code § 14-76, the City Manager, Finance Director, Police Chief, Water Resource Director or the Purchasing Manager have the authority to authorize emergency purchases. Emergency purchases over $50,000 will require ratification by the City Council at the earliest opportunity after conclusion of the emergency.

In either case, standard procurement procedures should be utilized, to the extent practical, during any emergency.

Cooperative Purchasing

The Pomona City Code allows the City to engage in cooperative purchasing or "piggyback "agreements. A cooperative agreement is an instance where a different agency takes the lead on carrying out a formal solicitation to benefit a region or body of agencies so that the benefit of economies of scale can occur. An example of cooperative agreements that are common are those for office supplies, custodial supplies or furniture.

In order to utilize a cooperative agreement, the following must occur:

1. Purchasing must review the original solicitation and resulting awarded contract and verify it meets the City's bidding requirements.
2. After review and recommendation to use the cooperative agreement, the requesting department must issue a memo or staff report depending on the cost. Memos should be routed through Finance for Purchasing and Finance Director approval or review and City Manager approval, if necessary.
3. If a staff report is required to finalize the purchase, the report should include a statement referencing purchasing's review and recommendation of the cooperative agreement.
4. The approved memo/staff report should be attached to the requisition.

7. Competitive and Non-Competitive Procurement Purchase Guidelines Table

QUICK REFERENCE - GENERAL GOODS, SERVICES AND PROFESSIONAL SERVICES

DESCRIPTION/TYPE OF PURCHASE	TOTAL PURCHASE AMOUNT	THREE BIDS REQUIRED?	CITY MGR OR CITY COUNCIL REPORT REQ'D?	Sole Source Rules
Micro Purchase	Up to $5,000	No	No	
Open Market - Informal Procurement Procedure	$5,000 -$100,000	Yes, IFB must be used to obtain bids.	No	$5,000 to $50,000 will be approved by Purchasing Manager (PM) and Finance Director (FD) $50,000 to $100,000 will be reviewed by PM and FD and approved by the City Manager (CM) $100,000+ will be reviewed by PM, FD and CM and approved by the City Council
Formal Procurement	$100,001 and above	Yes, must use RFP or RFQ to obtain bids.	$100,000 to $150,000 shall be award by CM $150,000+ shall be awarded by City Council	$5,000 to $50,000 will be approved by Purchasing Manager (PM) and Finance Director (FD) $50,000 to $100,000 will be reviewed by PM and FD and approved by the City Manager (CM) $100,000+ will be reviewed by PM, FD and CM and approved by the City Council
Public Works/Water Resources Public Projects	<$60,000	No, can be established by negotiated contract or by PO	No	
Public Works/Water Resources Public Projects	<$200,000	Yes, IFB must be used to obtain bids.	Yes, CM has the Authority to execute informal contracts	
Public Works/Water Resources Public Projects	>$200,000	Yes, must use RFP to obtain bids.	Bid shall be award by the City Council	

DESCRIPTION/TYPE OF PURCHASE	TOTAL PURCHASE AMOUNT	THREE BIDS REQUIRED?	CITY MGR OR CITY COUNCIL REPORT REQ'D?	
Professional Services for all CIPs	<$60,000	No, can be established by negotiated contract or by PO	No	
Professional Services for all CIPs	<$200,000	Yes, IFB must be used to obtain bids.	Yes, CM has the Authority to execute informal contracts	

8. Environmental Purchasing Policy

PURPOSE: This purpose of this policy is to require the purchase of recycled, recovered organic waste, and environmentally preferred products whenever practical in order to conserve natural resources and to support the markets for recycled goods and other environmentally preferable products and services. Additionally, this policy promotes waste prevention practices to reduce waste and to conserve natural resources.

DEFINITIONS:
"Annual Recovered Organic Waste Product Procurement Target" means the amount of Organic Waste in the form of a Recovered Organic Waste Product that the City is required to procure annually under 14 CCR Section 18993.1.

"Compost" means the product resulting from the controlled biological decomposition of organic solid wastes that are source separated from the municipal solid waste stream or which are separated at a centralized facility or as otherwise defined in 14 CCR Section 17896.2(a)(4).

"Electricity Procured from Biomass Conversion" means electricity generated from biomass facilities that convert recovered Organic Waste, such as wood and prunings from the municipal stream, into electricity.

"Environmentally preferable products" means products that have a lesser impact on the environment and human health when compared with competing products. This comparison may consider raw materials purchase, production, packaging, distribution, reuse, operation and/or disposal of the product.

"Organic Waste" means solid wastes containing material originated from living organisms and their metabolic waste products including, but not limited to, food, yard trimmings, organic textiles and carpets, lumber, wood, Paper Products, Printing And Writing Paper, manure, biosolids, digestate, and sludges.

"Paper Products" include, but are not limited to, paper janitorial supplies, cartons, wrapping, packaging, file folders, hanging files, corrugated boxes, tissue, and toweling; or as otherwise defined in 14 CCR Section 18982(a)(51).

"Recovered Organic Waste Products" means products made from California, landfill- diverted recovered Organic Waste processed at a permitted or otherwise authorized operation or facility, or as otherwise defined in 14 CCR Section 18982(a)(60).

"Recycled products" are products manufactured in part or in whole with waste material that has been recovered or diverted from the waste stream. Recycled material may be derived from post-consumer waste (material that has served its intended end-use and been discarded by a final consumer), industrial scrap, manufacturing waste and/or other waste that otherwise would not have been utilized.

"Recycling" means the process of collecting, sorting, treating and reconstituting materials (that would otherwise become solid waste to landfill) and returning them to the economic mainstream in the form of raw material for new, reused or reconstituted products which meet the quality standards necessary to be used in the marketplace.

"Renewable Gas" means gas derived from Organic Waste that has been diverted from a landfill and processed at an in-vessel digestion facility that is permitted or otherwise authorized by 14 CCR to recover Organic Waste, or as otherwise defined in 14 CCR Section 18982(a)(62).

"Waste prevention" means any action undertaken by an individual or department to eliminate or reduce the amount of waste generated before they enter the waste stream. This action is intended to conserve resources, promote efficiency and reduce pollution.

"Practical" means sufficient in performance and available at a reasonably competitive cost.

POLICY:
City departments and employees will specify recycled and environmentally preferable products whenever practical.

City departments and employees shall solicit the use of recycled and other environmentally preferred products in its procurement documents as appropriate.

City departments and employees shall practice waste prevention whenever practical.

BEST PRACTICES:
A. Procurement Practices
All City departments and employees shall evaluate, at least, the following environmentally preferable product categories and purchase recovered Organic Waste products, post- consumer content or with recycled elements whenever practical. Opportunities for environmentally preferable purchasing include:

1. Printing and writing papers, including all imprinted letterhead paper, envelopes, copy paper and business cards with a minimum of 30% post-consumer recycled content (a higher post-consumer recycled content percentage is encouraged when practical). Businesses must certify in writing to the minimum or exact percentage of post-consumer material in the paper products, unless that information can be verified by a product label, catalog, invoice or a manufacturer or vendor website. Businesses must certify in writing that the products sold are eligible to be labeled with an unqualified recyclable label as defined in 16 CFR 260.12.

2. Paper products, including janitorial supplies, shop towels, hand towels, facial tissue, toilet paper, seat covers, corrugated boxes, file boxes, hanging file folders and other products comprised largely of paper which contain post-consumer content. Businesses must certify in writing to the minimum or exact percentage of post- consumer material in the paper products, unless that information can be verified by a product label, catalog, invoice or a manufacturer or vendor website. Businesses must certify in writing that the products sold are eligible to be labeled with an unqualified recyclable claim as defined in 16 CFR 260.12.
3. Compost, mulch, renewable gas and electricity, and other recovered organic waste products in accordance with 14 CCR Section18993.1:
   a) The compost shall be produced at a compostable material handling operation or facility or a large in-vessel digestion facility that composts on-site.
   b) The mulch must exceed the physical contamination, maximum metal concentration, and pathogen density standards for land application specified in Section 17852(a)(24.5)(A)1. through 3 and be produced at one of the following:
      1) A compostable material handling operation or facility, other than a chipping and grinding operation or facility.
      2) A transfer/processing facility or transfer/processing operation.
      3) A solid waste landfill.
   c) The renewable gas shall be used for fuel for transportation, electricity or heating applications. Renewable gas procured from a Publicly Owned Treatment Works (POTW) may count towards the City's recovered organic waste product procurement target if the POTW receives organic waste directly from:
      1) A compostable material handling operation or facility, other than a chipping and grinding operation or facility.
      2) A transfer/processing facility or transfer/processing operation.
      3) A solid waste landfill.

      The POTW must provide the City with documentation of organic waste tonnage received. The POTW must have transported less than 25% of the biosolids it produced to activities that constitute landfill disposal.

   d) The electricity shall be from a biomass conversion facility. Electricity procured from a biomass conversion facility may only count towards the City's recovered organic waste product procurement target if the biomass conversion facility receives feedstock directly from one or more of the following:
      1) A compostable material handling operation or facility, other than a chipping and grinding operation or facility.
      2) A transfer/processing facility or transfer/processing operation.
      3) A solid waste landfill.

B. Waste Prevention Practices

City departments and employees are encouraged to reduce their consumption of resources by incorporating the following practices into their daily work activities.

1. Use duplex features (double-sided print mode) on all printers and copiers. Specify duplex feature on print jobs.
2. Consider durability and repairability of products prior to purchase.
3. Conduct routine maintenance on products/equipment to increase the useful life.
4. Send and store information electronically when possible.
5. Review the record retention policies and implement document imaging systems.
6. Other waste prevention practices that further the goals of this policy.

C. Recovered Organic Waste Procurement Target

Beginning January 1, 2022, the City shall annually procure a quantity of recovered organic waste products that meets or exceeds its current annual recovered organic waste product procurement target.

Recovered Organic Waste Procurement Target

The City's annual recovered organic waste product procurement target shall be calculated by multiplying the per capita procurement target (0.08 tons of organic waste per California resident per year) by the City's population according to the most recent annual data reported by the California Department of Finance.

Conversion Factor

The following conversion factors shall be used to convert tonnage in the annual recovered organic waste product procurement target to equivalent amounts of recovered organic waste products:

One ton of organic waste in a recovered organic waste product procurement target shall constitute:

1. 21 diesel gallon equivalents, or "DGE," of renewable gas in the form of transportation fuel.
2. 242 kilowatt-hours of electricity derived from renewable gas.
3. 22 therms for heating derived from renewable gas.
4. 650 kilowatt-hours of electricity derived from biomass conversion.
5. 0.58 tons of compost or 1.45 cubic yards of compost.
6. One ton of mulch.

If the City's annual recovered organic waste product procurement target exceeds the City's total procurement of transportation fuel, electricity, and gas for heating applications from the previous calendar year as determined by the conversion factors, the target shall be adjusted to an amount equal to its total procurement of those products as converted to their recovered organic waste product equivalent from the previous year.

Recordkeeping Requirements

The City shall maintain all documents that:

1. Describe how the City will comply with recovered organic waste product procurement targets.
2. The name, address, and contact information of each entity, operation or facility from whom recovered organic waste products were procured, and how the product was used, and if applicable, where the product was applied.
3. All invoices, receipts or similar records evidencing procurement.
4. Invoices, receipts or other proof of purchase that describe the procurement of paper products by volume and type for all paper purchases.
5. If a direct service provider is used for procurement, the invoices of records of the direct service provider of the procurements.
6. Records evidencing the total amount of transportation fuel, electricity, and gas for heating applications procured.
7. For renewable gas procured from a POTW, a certification from an authorized POTW representative attesting to compliance with the exclusion in 14 CCR Section 17896.6(a)(1), total tonnage of organic waste received from solid waste facilities, and the percentage of biosolids that the POTW produced and transported to activities that constitute landfill disposal.
8. For electricity procured from a biomass conversion facility, a certification from an authorized biomass conversion facility representative certifying that the biomass feedstock was received from a permitted solid waste facility.
9. For mulch, a copy of the ordinance or similarly enforceable mechanism that the City has adopted requiring that mulch procured meets the land application standards

RESPONSIBILITIES OF ALL DEPARTMENTS

City departments and employees shall be responsible for the implementation of this policy and shall:

1. Practice waste prevention whenever possible.
2. Continue to utilize recovered organic waste products, and recycling and reuse programs and expand them where possible.

3. Procure recovered organic waste products and recycled products whenever practical.
4. Develop, evaluate and maintain information about environmentally preferable and/or recycled products containing the maximum practical amount of recycled and/or recovered organic waste materials.

IV. FUND BALANCES, RESERVES & SURPLUS (City Council Policy)

The purpose of this policy is to set policy for the designation and use of reserves in the fund balance of governmental funds and net working capital of proprietary funds. The policies help create a foundation for strong fiscal management and financial sustainability by preparing and stabilizing city finances for various contingencies, mitigating the fiscal impact of unexpected or untimed events, ensuring payment of short-term and long-term liabilities, and financial planning for service improvements, capital, equipment and other long-term needs.

A. General Provisions

Classification of Fund Balance

At the end of each fiscal year, in accordance with this policy, the Finance Director shall work with the city's auditor to classify the fund balances in its governmental funds using the following classifications: non-spendable, restricted, committed, assigned, and unassigned (see definition of "Fund Balance Classification" for further detail on fund balance classifications in the Glossary of Terms). For the General Fund, the Finance Director shall have the authority to classify unassigned amounts as "assigned" where the City's intent is for those amounts to be used for a specific purpose(s). This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

Periodic Review by City Council

The purposes, amounts and priority of the established reserves for each fund shall be periodically reviewed by the City Council, based on the considerations set forth in this section, debt service coverage requirements for obligations of the fund, and other competing needs or demands of the City.

B. General Fund

1. Fund Balance

The estimated fund balance of the General Fund shall be analyzed and determined by the Finance Department using departmental estimates and reported with the adoption of each year's budget and any updates thereto. The actual fund balance of the General Fund and reserve amounts shall be reported annually in the annual financial statements.

2. Reserved Fund Balance: Purposes, Amounts and Priority

With the adoption of each year's budget and any updates thereto, the Finance Director shall present the estimated fund balance of the General Fund and the amounts allocated to reserves. The total amount allocated to reserves shall be sufficient to satisfy any debt service coverage requirement of General Fund obligations for the current fiscal year. The General Fund reserves and amounts thereof are as follows:

- Economic Contingency Reserve
    - Purpose(s): Financial needs due to a downturn or recession in the local, state or national economy; action by another government that eliminates or shifts revenues from the City; an unanticipated inability to fully pay the General Fund's debt service obligations in any given year; other unexpected reductions or interruptions of revenue streams; or cash flow requirements of the General Fund.
    - Amount: minimum of 22% with the goal of incrementally increasing to a maximum of 25% of the General Fund's current fiscal year operating expenses (including any continuing annual transfers from the General Fund to other funds). Determination of this reserve amount should be based in part on the General Fund's revenue loss/recovery during prior economic downturns and recessions, an assessment of the volatility of General Fund's various major revenue streams, and a quantification of the General Fund's cash flow demands over the fiscal year as compared to the timing of revenue receipts.
- Catastrophic Events Reserve
    - Purpose(s): Financial needs due to unforeseen claims, damages or liability (see Liability Fund for known claims); loss of critical infrastructure, facilities, equipment, or assets; extraordinary public service demands caused by natural disasters (earthquake, flood, fire etc.), civil unrest or other unforeseen events.
    - Amount: $5 million with annual appropriation towards that goal determined by the City Council at the time of the annual budget adoption. Determination of this reserve amount is a risk-loss assessment based on the City's own loss experience, claims data, history of natural disasters or unexpected events, and other relevant data.

The General Fund reserves shall be fully funded from the fund balance in the order of priority listed above. If the fund balance is insufficient to fully fund any reserve or if demands on the reserve have caused it to fall below the amount required by this section, the City Manager shall bring forward a plan as part of the subsequent fiscal year budget, to replenish said reserve within a reasonable timeframe.

All General Fund reserves shall be classified as committed to the purposes identified for each reserve. Upon approval of the city council, funds committed to any General Fund reserve may be used for any of the identified reserve purposes.

3. Encumbered Fund Balance (Encumbrances)

Funds to pay for authorized encumbrances of the General Fund shall be identified in the fund balance. With the adoption of each year's budget and any updates thereto, the Finance Director shall identify the amount of fund balance allocated to pay for encumbrances. In reporting the fund balance in the annual financial statements, any encumbrance not otherwise classified as "restricted" or "committed," shall be classified as assigned and identified as encumbrances (see definition of "Fund Balance" for further detail on fund balance classifications).

4. Unassigned Fund Balance (Surplus)

After allocating the fund balance to the required reserves and authorized encumbrances as provided in this section, and after classifying the restricted, committed or assigned amounts of the fund balance, the remaining amount of the fund balance shall be designated as "unassigned." The amount of the unassigned fund balance at the end of the fiscal year is often referred to as the "budget surplus."

Unassigned fund balance is generally considered one-time revenue. As such, unassigned fund balance shall not be appropriated or otherwise obligated to pay for new on-going expenses unless it can be demonstrated through the City's long-term forecast, the annual amount of the unassigned fund balance is sufficient to support the annual amount of the new on-going expenses.

Except as provided in the previous paragraph, on a periodic basis, the City Manager may recommend the unassigned fund balance be used for one-time expenses. When recommending use of the unassigned fund balance for one-time expenses, the City shall attempt to achieve the following balance:

- 50% allocated to one-time payments that reduce long-term obligations such as unfunded pension or OPEB liability, bonded indebtedness, or lease obligations; and
- 50% allocated to facility or infrastructure improvements, equipment purchases, or other long-term capital needs that improve the community's safety, aesthetics, transportation, or quality of life.

C. Enterprise Funds

1. Net Working Capital (Fund Balance)

The estimated net working capital for each enterprise fund shall be analyzed and determined by the Finance Department using departmental estimates and reported with the adoption of each year's budget and any updates thereto. The actual net working capital for each enterprise fund and reserve amounts shall be reported annually in the annual financial statements.

2. Reserves: Purposes, Amounts and Uses

With the adoption of each year's budget and any updates thereto, the Finance Director shall present the estimated net working capital of each enterprise fund and the amounts allocated to reserves. The total amount allocated to reserves shall be sufficient to satisfy any debt service coverage requirement of the enterprise fund's obligations for the current fiscal year. The reserves for each enterprise fund, the amounts thereof, and the qualified uses are as follows:

- Operating Reserve
    - Purpose(s): Established to phase-in the impact of unforeseen cost increases such as significant increases in imported water costs, wastewater treatment costs, changes in energy costs, emergency repairs, and other significant expense fluctuations.
    - Amount: Funding shall be targeted at a minimum of three months (90 days for Water and Sewer Funds and 70 days for the Refuse Fund) and a maximum of six months of average operating expenses based on the prior year's annual operating expenses.
    - Uses: This reserve may be utilized to cover temporary cash flow deficiencies caused by unforeseen or unknown expenses relating to natural disasters, reductions in revenues, infrastructure failures, or other expenses unknown at the time the annual budget is prepared.
- Capital Reserve
    - Purpose(s): Established to phase in the impact of replacement and upgrade costs of capital equipment, high-cost vehicle replacements, and infrastructure.
    - Amount: Funding shall be targeted at the following amounts. Funds above this amount shall have no maximum, but shall coincide with an established capital replacement/upgrade program above and beyond any pay-as-you-go capital replacement expenditure.
        - Water – $1.5 Million
        - Recycled Water - $500,000
        - Sewer – $750,000
        - Refuse – The Refuse Fund Capital Reserve is intended for capital needs. Use of these funds for capital equipment requires City Council action.
    - Uses: This reserve may be routinely utilized to cover temporary cash flow deficiencies caused by unforeseen or unknown expenses relating to natural disasters, reductions in revenues, infrastructure failures, or other expenses not known at the time the annual budget is prepared. Additionally, the capital reserve may be increased, and later used, to fund known and scheduled replacements.
- Bond Reserve
    - Purpose(s): Established as a condition of each bond issue. These funds may be required based on bond covenants and can only be used in the event of default by the City or to pay down principal at maturity.
    - Amount: The bond reserve requirement will be established at the time of each bond issuance. The amount retained in reserve is dependent of bond covenant and shall be retained as is specified within the bond requirements and may be retained by a Fiscal Agent.
    - Uses: May be used by the bond trustee if the amounts in the Principal Fund, Mandatory Redemption Fund or Interest Fund are insufficient or for the retirement of all bonds then outstanding.

D. Internal Service Funds

Services provided to other City funds and operations are budgeted and accounted separately in Internal Service Funds. Internal service operations are fully supported by charges to all departments based on actual cost and equipment replacement values. The City uses Internal Service Funds for budgeting such costs. Under this model, operating departments receive a charge from the internal service funds, and all costs (premiums, claims, and related expenses) are reflected in the applicable internal service fund. This allows for better accounting and monitoring of the City's risk management costs.

The Self-Insurance Fund is an internal service fund used to administer and manage all costs related to the City's workers' compensation program (employee injuries, illnesses, and safety programs), the liability program (claims and lawsuits), and the unemployment program. The internal service charges collected for and deposited into the Self-Insurance Fund shall be sufficient to fund the following reserves and requirements:

1. Liability Reserve

The City shall maintain dedicated reserves equal to but not less than 25% of the value of the outstanding claims as reported in the most recent annual financial statements. This level recognizes that not all claims will become due and payable at one point in time, yet there may be more than one large claim that could require an immediate payment.

2. Workers' Compensation Reserve

In addition to charges required to properly fund current year and future workers' compensation liabilities, the City shall maintain dedicated reserves equal to but not less than 25% of the value of the outstanding claims as reported in the most recent annual financial statements.

3. Unemployment Reserve

The City shall pay all unemployment claims on a pay-as-you go basis and a reserve is not required for this purpose.

4. Equipment Maintenance Reserve

The City intends to maintain a minimum level of working capital balance equivalent to 25% of expenses (including transfers out) in the Equipment Maintenance Fund as of each fiscal year ending June 30th. The reserve will address unanticipated, non-recurring needs or may be used during an economic downturn. Funds to cover the required working capital should come from the General Fund, contingent upon available savings.

5. Information Technology Reserve

The City intends to maintain a minimum level of working capital balance equivalent to 25% of expenses (including transfers out) in the Information Technology Fund as of each fiscal year ending June 30th. The reserve will address unanticipated, non-recurring needs or may be used during an economic downturn. Funds to cover the required working capital should come from the General Fund, contingent upon available savings.

6. Printing and Mailing Services Reserve

The City will update its Cost Allocation Plan on an annual basis to ensure accuracy of cost-based charges to all departments based on actual cost and equipment replacement values.

V. FISCAL SUSTAINABILITY PLAN ELEMENTS (City Council Policy)

The City of Pomona has remained a fiscally responsible municipality since its inception in 1888, carefully balancing its budget year-to-year despite changes in the regional and national economy. The City and the region have slowly returned to a period of economic growth, the City is cognizant of its responsibility to continuously improve the organization and its services to maximize efficiency and cost-effectiveness. As the region may see new economic growth, the City faces significant and costly obligations in the future, including rapid increases in retirement costs and the maintenance, repair, and replacement of City facilities via the City's Capital Improvement Program.

An important purpose of this plan is to help focus limited City resources on activities that are most cost-effective and address squarely the City's priorities for sustained growth and prosperity. The City will play a role in several areas to support fiscal sustainability, as follows:

1. The City will proactively seek to protect and expand its tax base by encouraging a healthy underlying local economy.
2. The City will work to enhance and protect the property values of all Pomona residents and property owners.
3. The City will work to enhance and protect the City's quality of life through strategic and sustained investment in quality capital infrastructure improvements that are both long lasting and fiscally responsible.
4. The City will encourage shopping, dining, and visiting at Pomona stores, restaurants, and hotels.
5. The City will establish and maintain appropriate cash reserves.
6. City revenue and expenditure performance will be reviewed no less than quarterly and appropriate budget adjustments will be made in advance of the end of a budget year if revenue performance is not meeting projections.
7. The City will initiate a "results-based budgeting" approach that allows the public and the City Council to prioritize City expenditures strategically rather than simply adjusting legacy expenditures to reflect inflation.
8. The City will consider competitive contracting of services and equipment when appropriate and where clear, cost-effective alternatives exist.
9. The City will establish appropriate cost-recovery targets for its fee structure and will annually adjust its fee structure to ensure that the fees continue to meet cost recovery targets.
10. The City will oppose efforts of the State and County governments to divert revenues from the City or to increase the unfunded service mandate of City taxpayers.

11. The City will work in partnership with its employees to ensure fair compensation and that costs related to pension and other benefits are appropriately allocated between employer and employees.
12. The City will vigorously defend itself and its taxpayers against frivolous lawsuits.
13. The City will seek additional intergovernmental funding and grants, with a priority on funding one-time capital projects. Grant-funded projects that require multi-year support will be reviewed.

VI. PENSION AND OPEB FUNDING (City Council Policy)

A. Purpose and Scope

This Pension and Other Post Employment Benefit (OPEB) Funding Policy (Policy) is intended to support the decision-making process of the City Council as it applies to the City's defined benefit pension plan and OPEB programs. This Policy will establish guidelines for funding current and future costs associated with the City's contractual obligations to provide pension and retiree medical benefits as set forth in the City's labor agreements. This Policy will be consistent with the City's financial goals and policy objectives and is intended to work in conjunction with the City's other adopted financial policies.

Recommend actions outlined within this Policy are reviewed, developed, and implemented in accordance with several sources of policy direction, including:

1. Article X of the City Charter and the Municipal Code;

2. City Council Labor Subcommittee which is tasked to evaluate funding options to address the City's rising retirement costs, including recommending the issuance of Pension Obligation Bonds;

3. Input received from public and bargaining units throughout the decision-making process, with scheduled public hearings at key Council decision points;

4. City of Pomona 2020 Taxable Pension Obligation Bonds, Series BJ bond indenture and trust agreement provisions;

5. Fiscal Operations Policy;

6. Debt Management Policy; and

7. Fiscal Sustainability Policy.

Nothing in this Policy shall constitute an obligation upon the City, nor an implied contract. The City Council may revoke or amend this Policy at any time and in its best interests. The City recognizes its unfunded pension and other post-employment retirement liabilities can cause financial stress on the organization and redirect scarce resources away from programs and services necessary for the City's operations and service to the public. Adherence to this Policy signals to the public, City employees, rating agencies and the capital markets that the City is well-managed and able to meet its pension and post-employment obligations in a timely manner.

Approving Authority – City Council

B. Policy Objectives and Principles

1. Policy Objectives

The City's main objective is to reduce its unfunded pension and OPEB liabilities in the most cost-efficient and fiscally prudent manner possible.

As with any fiscally prudent policy, the City's objectives include the following:

- Maintain the City's sound financial position;
- Ensure the City has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenditures;
- Provide guidance in making annual budget decisions;
- Protect the City's creditworthiness;
- Ensure all funding decisions are structured to protect both current and future taxpayers, ratepayers, employees and residents of the City; and
- Ensure the structure of the City's POB and future UAL amortization is consistent with the City's strategic planning goals, objectives, capital improvement program, budget, and/or debt policy.

2. Policy Principles

To help the City provide reasonable assurance that the cost of pension and OPEB benefits are funded in an equitable and sustainable manner, this Policy includes the following principals/commitments:

- Obtaining an actuarially required contribution (ARC) every year to serve as the basis for the City's annual contributions (normal cost and unfunded actuarial liability) to its respective retirement plans and, if applicable, associated pension obligation bond debt. The ARC should be calculated in a manner that fully funds the long-term costs of promised benefits, while balancing the goals of 1) keeping contributions relatively stable and 2) equitably allocating the costs over the employees' period of active service.
- Committing to fund the full amount of the ARC each year.
- Demonstrating accountability and transparency by communicating all of the information necessary for assessing the government's progress toward meeting its pension and OPEB funding objectives.

C. Background

The City participates in a Miscellaneous Plan and a Safety Plan to fund pension benefits for employees. The City's pension plans are administered by CalPERS. CalPERS administers an agent multiple-employer public employee defined benefit pension plan for all of the City's full-time and certain part-time employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by state statute and the City Council. City employees are subject to different benefit levels based on their hire date. Current benefit provisions for City employees are set forth below.

- Miscellaneous Plan. The Miscellaneous Plan has a three-tier benefit plan structure. Tier 1 employees, hired before August 14, 2011 receive a benefit formula equal to 2.0% @ 55. Tier 2 employees, who were hired on or after August 14, 2011 who qualify as "classic members" in accordance with CalPERS regulations shall participate in a 2% @ 60 pension formula. A third tier known as "PEPRA" pursuant to the Public Employees' Pension Reform Act, includes employees hired by the City on or after January 1, 2013 who qualify as "new members" in accordance with the 2013 Public Employees' Pension Reform Act (PEPRA) shall participate in the 2% @ 62 pension formula.

- Safety Plan. The Safety Plan has a three-tier benefit plan structure. Tier 1 employees, hired on or before November 18, 2010, shall participate in the CalPERS 3% @ 50 pension formula. Tier 2 employees, who were hired after November 19, 2010 who qualify as "classic members" in accordance with CalPERS regulations shall participate in the CalPERS 3% @ 55 pension formula. A third tier known as "PEPRA" pursuant to the Public Employees' Pension Reform Act, includes employees that were hired on or after January 1, 2013 who qualify as "new members" in accordance with the 2013 Public Employees Pension Reform Act (PEPRA) shall participate in the CalPERS 2.7% @ 57 pension formula.

- Other Post-Employment Benefits (OPEB Benefit Plan). The City provides certain post-employment healthcare benefits (the "OPEB Benefits") for retired employees and eligible dependents. Substantially all of the City's employees who are eligible for pension benefits may become eligible for such OPEB benefits, which are offered through the Public Employees' Medical and Hospital Care Program. The OPEB Benefits vary depending upon the employee's years of service and bargaining unit. The City currently finances benefits on a pay-as-you-go basis.

D. Amortization Bases and Policies

The City is statutorily required to make pension contributions on an annual basis to each plan. The annual required pension contribution or "ARC" for each plan is comprised of two component parts: the normal costs and an unfunded actuarial liability.

Normal Costs represent the current year's pension obligation or the cost of retirement benefits earned by current employees during the year. Normal Costs are calculated based on a percentage of payroll.

Unfunded Actuarial Liability (UAL) is the difference between the actuarial liability less the actuarial value of assets, which represents the funding shortfall for benefits previously earned by current employees and City retirees. The UAL is comprised of a series of annual amortization bases, each of which represents "past due" or "credit" amounts.

Calculated pension costs are based on a discount rate, annual rates of return, and other variables that might not align with actual experience nor perhaps with expected experience. To address these differences, at the end of each year, plan actuaries add a new amortization base(s) to adjust (debit or credit) the UAL for changes to the pension costs. There are five types of changes:

1. Actuarial Value of Assets
2. Investment Gains & Losses
3. Assumption Changes
4. Benefit Changes
5. Contributions

Amortization bases are the component parts of the UAL. They function like "individual loans or credits" that have distinct schedules and terms. The payment or credit schedule for each amortization base is calculated using the plan's current discount rate. Each base is amortized over multiple years, in accord with the plan's adopted amortization and actuarial polices. The current amortization and actuarial policies for the Miscellaneous and Safety Plans are as follows:

- Amortization payments are determined as a level dollar amount.
- Investment gains or losses are amortized over a fixed 20-year period with a 5-year ramp up at the beginning of the amortization period.
- Non-investment gains or losses are amortized over a fixed 20-year period with no ramps.
- All changes in liability due to plan amendments (other than golden handshakes) are amortized over a 20-year period with no ramps.
- Changes in actuarial assumptions or changes in actuarial methodology are amortized over a 20-year period with no ramps.
- Changes in unfunded accrued liability due to a golden handshake are amortized over a period of five years.

E. General Provisions

The financial objective of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan members. To ensure the plan is financially sustainable, the plan should accumulate adequate resources in a systematic and disciplined manner over the active service life of benefitting employees.

The purpose of this section is to provide procedures and protocols for the City regarding a process to accelerate or payoff its UAL.

1. Funding Goal and Target

While the ultimate goal is to have pension liabilities 100% funded, the City's intermediate goal is to always have its pension liabilities be no less than 80% funded on an actuarial value of assets basis. Actuaries consider the long-term performance of the City's pension investments by using mathematics to smooth out year-to-year variations in the investment returns. The actuarial value of the plan's assets represents the likely value of the investments based on typical long-term investment results. This actuarial value of assets is used to estimate the amount of money the City needs to have invested annually to pay its future pension obligations.

The funded status goal may be achieved over a several year time frame. The funding level should be allowed to fluctuate +/- 10% within a range of 70-90%; however, whenever possible, it should not fall below 80%. Calculations for funding level should take into consideration any outstanding pension-related debt, such as pension obligation bonds.

2. Funding Strategies

The City will explore, and if financially feasible, pursue the funding strategies identified below to help address its unfunded retirement liabilities. The strategies represent a combination of internal budgeting and policy directives, as well as financing mechanisms. The City should seek to "recycle" all or a portion of the savings realized from the implementation these strategies.

a) Annual Prepayment of UAL Payment

For all plans, the City shall annually prepay its UAL payment to ensure it received the ~ 3.0% discount (reduction) to the required payment amount. Prepayment will require City staff to ensure the City has sufficient cash available at the beginning of each fiscal year (July) to make the prepayment in addition to all other expected draws upon city cash accounts.

b) Allocation of Liabilities Across Funds

The City should allocate pension and OPEB costs across all funds on a percent of payroll basis. To the extent practicable and legally feasible, the City should also allocate the cost of pensions to all applicable user rates, fees and charges.

c) Tax-Exempt Exchange

For capital projects the City intends to fund on a pay-as-you-go basis, the City should explore using tax-exempt exchange financings to create savings that are used to pre-pay its UAL.

d) Cost Sharing & Contract/MOU Provisions

CalPERS makes regular adjustments to its normal costs and UAL as a result of changes in investment performance, benefit levels, and actuarial assumptions. These changes typically impact both normal costs payments as well as the UAL. The City should incorporate a mechanism within the MOUs to revisit employee contribution levels when significant pension cost adjustments are made by CalPERS. The MOU mechanism should provide that the City and its collective bargaining groups will work collaboratively toward a solution that would help to relieve the City's growing pension burden caused by the pension cost adjustments. The City should retain the services of a financial advisor and/or actuary to develop financial projections for the expected increase costs/savings of proposed changes to benefit levels made during bargaining unit negotiations.

e) Examine Medical Benefit Levels and Eligibility Criteria

The City should periodically review its costs of medical benefits, eligibility age criteria (i.e., retiree medical benefits), and coverage levels; both in comparison to benchmark cities and to ensure long-term fiscal sustainability.

3. Use and Allocation of One-time Monies

The City seeks to maintain adequate levels of reserves in accordance with its stated reserve goals and adopted reserve policies. To the extent the City has undesignated or unobligated funds in excess of its reserve policies, the City shall consider applying a portion of such funds toward its unfunded pension and OPEB liabilities pursuant to the City's Fund Balance Policy. Available funds may be the result of year-end budget savings, unspent proceeds from capital projects, and/or one-time revenues or savings. Allocation of these funds towards unfunded pension liabilities shall be made on a case-by-case basis by the City Council, with input from the City Manager after all discretionary fund reserve balances and one-time monies have been reviewed by City staff. Based on any budgetary constraints or needs at that time, an assessment shall be coordinated to determine the cost/benefit of utilizing one or more of the options below. Options and recommendations for the allocation of any one-time monies will be presented to, and determined by, the City Council at the time of the annual budget adoption.

a) Set-Aside of Any General Fund Surplus

Due to a variety of factors, such as economic expansion, frugal operations, or changes to various projects and programs, the City may end a fiscal year with a surplus of revenues over expenditures, encumbrances and reserve commitments. Budget surplus funds are those surplus funds that result after closing the City's accounting records for a fiscal year. On an annual basis, the City Manager will recommend allocations to the City Council on the use of budget surplus funds consistent with the uses identified in the Fund Balance Policy. After deficits, reserve deficiencies and other matters of fiscal concern, the City Manager or his/her designee may recommend that roughly fifty percent (50%) of remaining budget surplus funds be used address long-term pension liabilities. Unlike ongoing needs such as salaries, long-term needs do not require ongoing funding over an indeterminable period of time. The 50% target level is a stated policy goal; however, individual funding decisions, shall be made on a case-by-case basis by the City Manager.

b) Section 115 Pension Rate Stabilization and OPEB Fund

To the extent that the City has excess reserves, unspent budget monies at year-end, unspent proceeds from capital projects, and/or one-time revenues or any additional resources as described in the section above, it shall be the City's policy to consider establishing and allocating such available resources to a Section 115 Trust.

The Section 115 Trust allows the City to build its pension reserve while maintaining oversight of investment management and control over the risk tolerance of the portfolio. Money placed into the trust is irrevocable, meaning it cannot be withdrawn and used for another expenditure of the City. The benefits of the Section 115 Trust include:

1. Assets in the trust will offset unfunded pension liabilities.
2. The City will control the risk tolerance of the portfolio.
3. Assets held in trust will allow for greater investment flexibility and risk diversification compared to the City's investment portfolio.
4. Assets can be used to stabilize rates – to offset unexpected contribution rate increases or be used as a rainy-day fund when revenues are impaired based on economic or other conditions.
5. A higher rate of return on investments may, under certain circumstances, be achieved than can be earned on the pooled investment portfolio or LAIF
6. City will have the flexibility to access trust assets any time, as long as it's used to pay employer pension and OPEB obligations.

Once the City transfers funds into such a trust, they can only be utilized for payment of employee pension or OPEB costs.

c) Synthetic Fresh Start

To the extent that the City has identified additional resources (one-time monies, budget surplus, or excess reserves) to apply toward its unfunded retirement costs, then the City shall apply these monies through a synthetic Fresh Start or "soft" Fresh Start mechanism. In general, such monies shall be applied toward the Amortization Base with the longest remaining term to maturity in order to maximize total savings.

F. Base Selection Strategy

In order to maximize interest costs savings, the City shall apply pension liability payments toward the CalPERS amortization bases with the longest remaining term (maturity). Specific recommendations regarding how much monies to apply toward unfunded pension or OPEB liabilities shall be made by City staff. All pre-funding decisions shall require an analysis performed (by an independent Municipal Advisor) using the City's customized pension model; and shall provide proper documentation of the analysis and decision-making process. The City shall seek to accelerate the repayment of any new Amortization Base added to the UAL. With the approval of each Plan's Administrative Board, the City's shall seek to accelerate the payoff of new Amortization Base over a shorter term, up to one half the time period (e.g., 10-year to 5-year payment term).

G. Superfunding

If any City pension plan achieves "superfunded" status, where asset values exceed the accrued liability (i.e., funding level exceeds 100%), the enhanced value of the pension plan shall not be used, pledged or otherwise obligated for purposes of reducing contributions, enhancing benefits or otherwise increasing the costs and/or liabilities of the plan. Instead, e the City should manage the enhanced value of the plan like a "pension reserve" that provides an additional financial safeguard for the plan against future unfunded liabilities due to actuarial adjustments, investment losses, assumption changes, and other negative events that impose additional costs or depress asset value of the plan.

H. Policy Review and Amendment

Addressing retirement costs is a dynamic process. Adjustments are made annually to the City's Normal Cost and Unfunded Actuarial Liability (UAL). Therefore, this Policy is intended to serve as a living document that should be reviewed annually after the release of the most current annual actuarial report. City staff should annually review this Policy to determine if changes are needed to ensure adequate resources are being accumulated on each plan's funding status. Any amendments to this Policy shall be prepared by the Finance Director in writing and approved by action of the City Council.

VII. CAPITAL IMPROVEMENT (City Council Policy)

A. Purpose

This policy will promote consistency and continuity in decision making related to capital improvement planning and to set the general parameters within which capital spending decisions are made, the following policy is established for the City's Capital Improvement Program (CIP). As a matter of general policy, the goals of the City's Capital Improvement Program are:

1. Consistently make decisions related to capital improvement aligned with overall City goals and objectives regarding the physical and economic development of the community, asset management, and the provision of public services;
2. Promote financial stability and focus attention on the City's long term financial capacity to meet capital needs; and
3. Effectively communicate the City's priorities and plans for undertaking capital projects to internal and external stakeholders.

The policy is designed to capture the following elements of the Capital Improvement Program:

1. Capital Improvement Plan Formulation
2. Capital Improvement Plan relationship to the Capital Budget
3. Project Financing
4. Post Project Evaluation

B. Capital Improvement Plan Formulation

The CIP consists of cross departmental activities designed to identify, plan, finance, and undertake acquisition of long-lived capital assets necessary to meet service level goals and objectives. CIP Program functions as:

1. A multi-year projection of the City's major capital needs.
2. A formal mechanism for decision making related to planning and budgeting for major capital acquisitions.
3. A link to the City's long-range plans concerning the economic and physical development of the community, and the provision of public services.
4. A financial management tool identifying future financing requirements for major capital infrastructure acquisitions, improvements and maintenance over the planning period.
5. A communications device for reporting to internal and external stakeholders the City's capital priorities, and plans for implementing capital projects.

The major output of the program is the annually updated CIP. The CIP plans for the allocation of existing and anticipated financial resources to replace, renew, expand, or acquire new capital stock, facilities, and infrastructure. The CIP is a five (5) year plan identifying the priority, scheduling, and financing of major capital projects to be undertaken over the planning period. The CIP represents a management and financial plan to guide capital financing and acquisition activities and is subject to annual review and modification by City staff, and approval by the City Council Body as part of the budget process.

C. Capital Project Criteria

Capital items and fixed assets established for capital budgeting and accounting shall be defined as follows:

A capital project is an outlay that results in or contributes to the acquisition of or addition to a capital asset with an anticipated cost equal to or exceeding ten thousand dollars ($10,000) and with an anticipated useful life equal to or exceeding five (5) years. All improvements or modifications to City facilities in excess of $250,000 are subject to capitalization. This definition includes, but is not limited to, capital projects that are undertaken to:

1. Acquire new or expand existing physical facilities or infrastructure.
2. Acquire large scale renewal, improvement, or replacement of physical facilities or infrastructure that is not routine maintenance. Renewal and improvement expenditures are those that improve an asset's productivity, significantly extend its useful life, or change the character of the asset.
3. Acquire major pieces of equipment, vehicles, and other capital stock, including expenditures when aggregated or consolidated into a single project meet both criteria set forth above.
4. Procure engineering or architectural studies and services related to public improvements.
5. Acquire land or make improvements to land.

Projects meeting the above criteria shall be eligible for consideration and inclusion in the annually updated CIP. Any and all expenditures meeting the criteria for fixed capital assets as defined by the City's Capital Asset Management Policy shall continue to be budgeted and accounted for as capital expenditures, however, will not be eligible for inclusion in the CIP unless they meet the above definition of a capital project. Staff questions regarding the definition of a capital project should contact the Finance Department.

D. CIP Development Responsibility

The Finance Department shall have lead responsibility in coordinating the tasks and activities necessary to successfully administer the Capital Improvement Program, including but not limited to establishing policies, procedures, schedules and deadlines for CIP formulation, defining roles and responsibilities of CIP participants, obtaining relevant and reliable documentation and information for capital projects, establishing project evaluation criteria and rating systems, developing the CIP document. The City Manager will annually submit a five-year Capital Improvement Program for review and approval by the City Council pursuant to the timeline established within the City Charter and annual budget preparation schedule.

E. Project Requests and Consideration

In order to evaluate the merits of capital project requests and to allow each project due process in evaluations, capital projects proposed during the annual CIP process shall be accompanied, at a minimum, by the following information:

1. Project Title, Description, Project Number, Department, Project Manager;
2. Council District;
3. Project Statistics;
4. Project Financial Requirements;
5. Funding Sources;
6. Project Location; and
7. Recommended/Anticipated Funding Sources.

The Finance Department shall establish forms, instructions, deadlines, and procedures for project submittal and review.

F. Project Selection

To ensure capital programming and financial decisions are consistent with community goals, values, and needs, the City shall utilize, to the greatest extent possible and where appropriate, specific logical methods of decision making to:

1. Develop options for meeting capital needs and evaluating project alternatives; and
2. Develop a CIP.

The Finance Department shall develop and disseminate procedural guidelines for project evaluation and selection.

G. Capital Improvement Plan and the Capital Budget

The CIP represents the City's multi-year projection of capital needs and is a picture of future financing requirements, plans, and project scheduling. The CIP does not impart spending authority for capital projects, but rather constitutes the primary basis upon which the annual capital budget is formulated. While the CIP is a management plan, the capital budget is the current year spending authorization for capital expenditures, including capital projects identified in the CIP.

The following policies apply to the relationship between the CIP and the capital budget, and the formulation of the annual capital budget:

1. The City shall enact an annual capital budget based on capital project priorities and schedules as established in the multi-year CIP.
2. The annual capital budget shall be developed and adopted concurrently with the annual operating budget. Operating impacts of capital expenditures shall be projected and included in operating budget forecasts.
3. Transition of a capital project from a planned expenditure in the CIP to an appropriated one in the annual capital budget shall be achieved through the annual budget process by which staff submit capital outlay requests as part of their overall budget requests for the upcoming fiscal year.

H. Project Financing

The City recognizes that an effective capital funding strategy requires consideration of a broad mix of funding mechanisms, including but not limited to pay as you go, grants, and debt. The City will maintain a balanced mix of financing sources without excessive reliance on any one source, and shall consider the following factor in evaluating the suitability of funding options for particular projects:

1. Legality
2. Equity
3. Effectiveness
4. Acceptability
5. Affordability
6. Ease of Administration
7. Efficiency

Pay-as-you-go financing refers to the use of current financial resources to fund capital projects, including current revenues, fund balances, grants, and donations. Pay-as-you-use financing refers the issuance of various debt instruments to fund capital projects. In considering which funding method to utilize for particular projects, the City shall strive to match benefit streams to cost streams as closely as possible over the anticipated useful life of the project and across constituency groups to achieve intergenerational and intra-jurisdictional equity respectively in project financing arrangements.

The City will seek to leverage intergovernmental grants and private donations whenever available and ensure those capital projects are consistent with capital improvement plans and City priorities, and whose operating impact have been documented in operating budget forecasts.

Capital Improvement projects will not be budgeted, authorized or awarded until the funding sources have been identified to finance the project and to pay for future operating costs. Projects may be partially funded if the City is seeking to secure outside funding for the project. If outside funding is not awarded within three years, staff will seek City Council approval to unappropriate the project. The City's objective will be to dedicate 1.00% of the General Fund adopted revenues on an annual basis for CIP projects without an identified funding source.

I. Project Progress Reporting

The Capital Improvement Program will monitor projects in progress to ensure their timely completion or the substitution of alternative projects. A prior year capital project status report shall be presented to the City Council for information purposes when the Capital Improvement Program budget is considered. The Finance Department shall establish procedural guidelines for project progress reporting as part of the annual capital budget and CIP development processes. The Public Works Director shall submit to the City Council quarterly reporting on, at a minimum, all projects in excess of $2.0 million. Within 90 days of the completion of a capital project, any remaining appropriated funds for the project will be unappropriated. The City will maintain a listing of capital infrastructure. This list will be used to analyze City infrastructure to provide for maintenance and replacement through the City’s Capital Improvement Program and annual operating budget. Only projects equal to or greater than $250,000 shall be capitalized.

VIII. FIXED ASSET/INFRASTRUCTURE CAPITALIZATION POLICY (Staff Administrative Procedure)

A. Purpose

The purpose of this policy is to ensure adequate control and appropriate use of City fixed assets. The procedures are intended to define fixed assets and to establish guidelines for budgeting, purchasing, using, financial reporting, logging, inventorying, transferring, depreciating, and disposing of fixed assets. All City Agencies, Departments, and Divisions are subject to the provisions of this policy.

B. Policy

1. General Provisions

It is the policy of the City of Pomona that fixed assets be used for appropriate City purposes and be properly accounted for and secured. It is the responsibility of the Water Warehouse/Fleet to ensure fixed assets are assigned ID numbers, inventoried on a regular basis, and accounted for by asset category. It is the responsibility of Department Directors and Division Managers to ensure that proper budgeting and purchasing guidelines are followed, that fixed assets are adequately controlled and used for appropriate City purposes, and to secure such fixed assets.

The City of Pomona’s fixed asset policy has two (2) objectives:

1. Accounting and Financial Reporting. To accurately account for and report fixed assets in financial reports issued to the City Council, external reporting agencies, granting agencies, and the public.
2. Safeguarding – To protect its (fixed) assets from loss or theft.

In meeting the two objectives, the City has established a Capitalization Policy and an Inventory Control Policy, providing specific guidance to determine which fixed assets are subject to separate accounting and reporting (i.e., Capitalization) and safeguarding (i.e., Inventory Control), respectively.

The Finance Department is responsible for, and has established, systems and procedures through which both objectives are met. These systems and procedures are used to identify, process, control, track, and report City fixed assets.

2. Capitalization Policy (Accounting and Financial Reporting)

Land, buildings, machinery and equipment, vehicles, and equipment under capital lease, with an original cost of more than $25,000 per item and a useful life greater than one year, will be subject to accounting and reporting (capitalization). Capital projects, improvements, and intangible assets, with an original cost of more than $250,000 and a useful life greater than one year, will be subject to capitalization. All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, installation charges, professional fees, and legal costs directly attributable to asset acquisition.

Specific capitalization requirements are described below.

1. The capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased through a single purchase order each costing $2,500 will not qualify for capitalization even though the total cost of $25,000 exceeds the threshold of $25,000.
2. The capitalization threshold will generally not be applied to components of fixed assets. For example, a keyboard, monitor, and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.
3. Repairs to fixed assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case, it represents an improvement and is subject to the capitalization policy and should be evaluated separately.
4. Improvements to existing fixed assets will be presumed (by definition) to extend the useful life of the related fixed asset and, therefore, will be subject to capitalization only if the cost of the improvement meets the $25,000 threshold. In theory, an improvement to a fixed asset that had an original cost of less than $25,000, but now exceeds the threshold as a result of the improvement, should be combined as a single asset at the total cost (original cost plus the cost of the improvement) and capitalized.
5. Capital projects will be capitalized as "construction in progress" until completed. Costs to be capitalized include direct costs, such as labor, materials, and transportation, indirect costs such as engineering and construction management, and ancillary costs such as~~.~~ CIP administration cost.

3. Inventory Control Policy – (Safeguarding)

Department Directors and Division Managers are responsible for safeguarding fixed assets under their control from theft or loss. However, the Finance Department is responsible for establishing and maintaining systems and procedures that enable Department Directors, Division Managers, and program managers to properly safeguard assets.

Inventory control shall be performed every three years. In general, Inventory Control is applied only to *movable* fixed assets such as machinery and equipment and not to land, buildings, or other *immovable* fixed assets. Departments shall receive a listing from Finance of the fixed assets on record for that department. A departmental employee will conduct a physical inventory, noting any additions, deletions, or changes that need to be made. That inventory list must be signed by the departmental employee, approved by the Department Director, and returned to the Finance Department. It is recommended that a copy be retained in the department file.

Fixed assets will be subject to inventory control if they meet at least one of the following criteria:

1. The original cost of the fixed asset is equal to or greater than $25,000.
2. An asset required to be controlled and separately reported pursuant to grant conditions or other externally imposed reporting requirement. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant-funded asset.

Periodically, the Finance Director will authorize a physical inventory be done by a Finance representative. That representative will then conduct a physical inventory of the designated department's assets, using the current fixed asset inventory records, to ensure that the information is both accurate and inclusive. Following such physical inventory, the Finance Director will notify the Department Director of any adjustments that may need to be made.

Fixed assets subject to inventory control will be accounted for and controlled through the same systems and procedures used to account and control fixed assets subject to capitalization.

4. Fixed Asset Categories

Each fixed asset will be added to one of the following categories:

Category Code	Category Class	Category Description
15100	L	Land
15700	W	Work in Progress (WIP)
15200	B	Buildings and Improvements
15300	I	Improvements other than Buildings
15400	M	Machinery and Equipment
15402	F	Furniture and Fixtures
15403	A	Vehicles
15500	C	Equipment under Capital Lease
15600	IN	Infrastructure

Examples of items included in each category follow.

15100. Land is any real property such as land, easements, land lease, right of ways, etc.

15700. Work in Progress is a holding account for expenditures that will be categorized upon their completion and placement in service.

15200. Buildings are structures permanently affixed to land.

15300. Improvements other than buildings are land improvements such as parking lot pavement and improvements, parkland improvements, leasehold improvements, fencing, etc.

15400. Machinery and Equipment items are in the nature of tools such as saws, lathes, and items used in construction, repair, or manufacturing, and special purpose equipment such as items in an audio visual or television studio. This category may include special purpose vehicles such as dump trucks and delivery vans.

15402. Furniture and fixtures are office furniture, file cabinets, etc. used to furnish office.

15403. Vehicles are generally automobiles, small trucks, and special purpose vehicles.

15500. Equipment under capital lease includes items that are being acquired using lease financing.

15600. Infrastructure are roadways, streetlights, traffic signals, sidewalks, storm drains, bridges, curbs and gutters, etc.

5. Work In Progress (WIP)

Constructed capital assets costs will be accumulated in work in progress account by project number. The costs will be removed from work in progress and will be recorded as a capital asset when the project is considered complete by City Council.

6. Depreciation

Depreciation is computed using the straight-line method (asset cost divided by asset life). Depreciation is computed beginning July 1st of the next fiscal year in which the asset was acquired. For example, if an asset was acquired in August, depreciation would begin July 1st of the next fiscal year. The Depreciation Schedule can be found on Exhibit A of this policy.

7. Asset Life

Asset life is generally determined by past practice and generally accepted standards by the majority of municipalities. A table of asset life can be found on Exhibit A of this Policy.

8. Process:

a) Purchasing Fixed Assets

1. Before purchasing fixed assets and as part of the budget process, Departments must prepare a Capital Equipment Request Justification form and obtain Department Director approval.
2. For fixed asset purchases, Departments must first complete a Purchase Requisition and obtain Department Director or his/her designee approval. Capitalized fixed assets should be recorded using the 60000 object code series. Assets below $25,000 should be recorded using the 50000 object code series.

3. Departments must also complete a Notification of Fixed Asset Acquisition form (Attachment I) and complete the "Asset Information" section which includes the account number, department, and building that will contain the asset; and whether the asset is to be tagged or not. Make sure to indicate where the item will be delivered (i.e. Water Warehouse, Fleet, etc.) by the vendor.
4. The requested asset should have already been included in the current year's budget. Verify this, by reviewing your specific program.
5. If the asset is not in the budget, you must contact Finance to determine appropriate action.
6. Departments must then submit the Purchase Requisition along with the Notification of Fixed Asset Acquisition form to Purchasing for processing. For vehicle purchases, specifications must also be submitted to Purchasing.
7. Purchasing shall verify the budget and review the account number noted on the completed Notification of Fixed Asset Acquisition form for accuracy and initial where indicated on the "Asset Information" section. Any discrepancies shall be notified to the Department and modified accordingly.
8. Purchasing shall then forward the Notification of Fixed Asset Acquisition form to Water Warehouse/Fleet and the vehicle specifications, where applicable.
9. Equipment delivered directly to Water Warehouse/Fleet shall be tagged immediately upon arrival.
10. For purchases that indicate a different delivery location, Water Warehouse/Fleet shall coordinate with the department to tag the asset.
11. Upon tagging, Water Warehouse/Fleet shall complete the "Tag Information" section on the Notification of Fixed Asset Acquisition form and submit the completed form to Finance/Accounting for entry. If the asset cannot be tagged, Water Warehouse/Fleet shall indicate that on the completed form.
12. Finance/Accounting shall then complete the "For Finance Use Only" section on the Notification of Fixed Asset Acquisition form upon entry into the FMS Fixed Asset (FMSFA) database.

b) Tagging

The purpose for tagging assets is to provide an efficient mechanism for inventorying fixed assets. A tag is a label which is a serialized number that is affixed to each asset that is to be inventoried. The tag should be placed in an inconspicuous, but accessible place on the asset, for example, on the back of a computer component. By their nature, capital assets categorized as land, buildings and improvements, improvements other than buildings, and infrastructure will not be physically tagged. All other assets will be tagged whenever "reasonable and practical."

c) Why Tag An Asset?

1. To provide accountability for the assets, ensuring the asset assigned to a Division or Department is controlled and accounted for by a specific department/person.
2. To help determine asset replacement cost and life.
3. To provide the City's outside auditors with a mechanism to verify that the City is in control of fixed assets and to provide an accurate record of the City's capital expenditures.

d) Should The Asset Be Tagged?

1. Yes, if cost of asset is greater than $25,000 and useful life is greater than one year.
2. Yes, if it is physically possible/practical to tag and meets the dollar and life guidelines.
3. Yes, if it is an asset that is handled frequently, has a high cost, and/or is likely to be stolen.
4. Yes, if the asset needs to be controlled due to high incidence of theft/misplacement/ borrowing.
5. Generally no, if the asset cost is less than $25,000. However, the Department Director and/or Finance may choose to tag items that cost less than the $25,000.
6. No, if the asset will be used up within one year.

e) Who Is Responsible For Tagging The Asset?

Water Warehouse and Fleet, with assistance from the Divisions and Departments, will be responsible for tagging fixed assets.

f) Transferring An Asset To Another Department/Location/Building

1. Departments must complete a Surplus/Transfer/Disposal Property Report Form.
2. Departments must fill out the "Asset Information" section and obtain Department Director approval prior to transferring the asset; the assigned department, location, serial number, and tag number must be identified on the form.
3. The completed form must then be submitted to Purchasing for their coordination with Water Warehouse or Fleet (depending on the type of asset being transferred) for further processing.
4. Water Warehouse/Fleet shall complete the "Surplus, Property Pick-Up & Storage Information" section and the "Transfer Information" section.
5. Water Warehouse/Fleet shall then submit all completed forms and any supporting documentation to Finance/Accounting.
6. Finance/Accounting shall update the FMSFA database with the new department/location information.

g) Disposal Of Surplus Property

Per Pomona City Code Article VIII, the City, through the Purchasing Manager, can dispose of surplus property by donating, selling, trading, or designating to other City departments.

Equipment for purposes of the policy includes furniture, fixtures, machinery, and equipment. Such equipment is accumulated at Fleet and the Purchasing Manager or his/her designee shall be notified to inspect the item and make arrangements to notify other departments that the item is available. Equipment not selected will be considered obsolete and disposed of per City Code.

It shall be the responsibility of each department to appraise property designated as surplus, which shall be verified by the Purchasing Manager. If it is determined that the property sold as a unit has a market value of more than $25,000, the property must be disposed of by a sealed bid process or auction in accordance with City purchasing guidelines. The sealed bid process will be coordinated by the Purchasing Manager. The Purchasing Manager is authorized to advertise such surplus property for sale to the general public or public auction. If it is determined that the property sold as a unit has a value less than $25,000, the property may be disposed of in accordance with the City Code Section 2-1041.

Prior to the disposal of any other surplus property, each department is required to complete a Surplus/Transfer/Disposal Property Report Form.

Proceeds from the disposal of surplus property will be deposited to the General Fund unless the property was originally purchased with monies from a specific fund or grant, in which case, the proceeds will be returned to that specific fund or as indicated per the grant agreement. The proceeds shall be classified as revenue and cannot offset an expense.

h) How To Retire/Dispose Of An Asset

1. Departments must complete a Surplus/Transfer/Disposal Property Report Form.
2. Departments must fill out the "Asset Information" section and obtain Department Director approval; the correct department, location, serial number, and tag number must be identified on the form.
3. The completed form must then be submitted to Purchasing for their coordination with Water Warehouse or Fleet (depending on the type of asset being disposed) for processing.
4. Water Warehouse/Fleet shall complete the "Surplus, Property Pick-Up & Storage Information" section and the "Disposal Information" section.
5. Water Warehouse/Fleet shall then submit all completed forms, original tags, and any supporting documentation to Finance/Accounting.
6. Finance shall remove the asset from the FMSFA database.

9. Accounting Procedures

At the beginning of each fiscal year, folders are prepared for new asset documentation. One folder for each asset class.

a) Acquisition Through Cash Disbursement

1. Review the 60000 account object code **monthly** for all funds to determine the capital purchases to be added to the fixed asset inventory system (FMSFA) by running a 616F report from FMSGL.
2. Pull and copy all A/P documentation for that purchase. Staple all documents in the upper left-hand corner.
3. Determine if the account is accurate for the type of purchase and return the originals to the A/P file if the account is correct.
4. Any single item(s) less than $25,000 noted on the 616F report, and/or determined to be non-capital, should be reclassified to a non-capital 50000 account object code by preparing a coding correction form and obtaining Finance Director or designee approval.
5. Attach the Notification of Fixed Asset Acquisition form prepared by the Departments and note the tag number on the right-hand corner of the invoice copies. If an ID number is not available because an asset could not be tagged, use the next available fixed asset number assigned by FMSFA.
6. Record the fixed asset addition in FMSFA.

b) Acquisition Through Donations

1. Donated capital asset items with a fair market value in excess of $25,000 should be recorded as a donation in FMSGL as revenue and as a 60000 expense object code account by preparing a Journal Entry. Prepare a journal entry and attach the City Council Report accepting/approving the donation. Obtain Finance Director or designee approval for the journal entry.
2. Record the fixed asset addition in FMSFA.

c) Acquisition Through Capital Lease

1. Disbursements made from capital lease escrow accounts will be recorded as a capital asset in the month of disbursement.
2. Any acquisition not considered capital (cost < $25,000) should be expensed through a 50000 account object code in the month of disbursement.
3. Record the fixed asset addition to FMSFA.

d) Completed WIP Projects

1. Print an expense summary report from FMSGL for the completed project.

2. Review the final contractor's invoice (usually booked to object code 58030) and determine the direct capitalized expenditures for each asset category.
3. The remaining expenditures, that were not booked to 58030, are considered indirect expenditures and must be allocated to the various fixed asset categories using a percentage (total direct capitalized expenditures for each asset category divided by the total direct capitalized expenditures for the entire project).
4. Prepare a journal entry to reclassify the expenditures from WIP to the proper asset category.
5. File the supporting documentation copies (i.e. FMSGL expense summary report, final contractor's invoice, the CIP project detail page from the City's CIP book, etc.) in the respective file folder.
6. Indicate the tag number on the right-hand corner of the supporting documentation. The tag number will be the fund number followed by the project number (xxx-xxxxx).

e) Capital Asset Disposal Through Surplus

1. Review the Surplus/Transfer/Disposal Property Report Form and any supporting documentation, such as original tag(s).
2. If an item was sold, obtain the check and prepare a Transaction Receipt (TR) applying the proceeds to the appropriate fund.
3. Obtain all copies of the invoices and any supporting documentation from the fixed asset files and attach the asset tag(s) to the paperwork.
4. The fixed asset should then be deleted from FMSFA along with any corresponding accumulated depreciation.
5. Once the sales price is entered in FMSFA, the system will automatically calculate the gain/loss and post to FMSGL.
6. Note on the supporting documentation the word "DELETION" and the deletion date.
7. File all deletions in a separate file folder for year-end audit review.
8. Upon audit review, file the deletions in the "deletions" file by tag number.

f) Capital Asset Transfer

1. Review the Surplus/Transfer/Disposal Property Report Form and any supporting documentation.
2. Change the location in FMSFA.

g) Inventory Control

A physical inventory count is required for all *movable* fixed assets every three (3) years by the departments holding the assets.

The Finance Director shall prepare and send a memo to all the departments advising them of their required physical inventory count and also indicate a deadline.

1. Run a fixed asset report from FMSFA for all *movable* fixed assets by department.
2. Submit the inventory listing to all departments for verification and **approval**.
3. Upon receipt from the various departments, investigate any discrepancies and make any changes as deemed necessary.

h) Monthly Procedures

1. Run a 616F report for F/A accounts from FMSGL and run a monthly fixed asset addition report from FMSFA concurrently.
2. Reconcile the FMSGL 616F report to the FMSFA addition report and investigate and correct any discrepancies.
3. At end of the each month, depreciate the fixed assets by performing a Real Depreciation Run from FMSFA.

i) Year-End Procedures

1. Obtain a current listing from Water Warehouse and Fleet for all the tags that were issued for the current fiscal year.
2. Verify that the tagged assets were properly accounted for in FMSGL. Investigate any discrepancies and adjust as deemed necessary.
3. Run a YTD 616 report for F/A accounts from FMSGL and run a YTD additions report from FMSFA concurrently.
4. Reconcile the FMSGL 616 report to the YTD FMSFA additions and investigate and correct any discrepancies.
5. All invoices and check copies should be retained in the file folders by class until the completion of the City's year-end annual audit.
6. Upon audit completion, file all invoice copies by tag number in the fixed asset files.

j) Fixed Asset Reports For Auditors

1. Run a detailed listing of current fiscal year additions, deletions, and reclassifications from FMSFA.
2. Run a 9000 report from FMSFA, which summarizes all fixed assets by class and also additions, deletions, and reclassifications for the fiscal year under audit.
3. Run a 9002 report from FMSFA, which summarizes all fixed assets depreciation and accumulated depreciation expense, by class, for the fiscal year under audit. The report also includes any additions, deletions and reclassifications.
4. Run a depreciation expense report by function for the fiscal year under audit.

C. Exhibit A - City of Pomona Asset Depreciation Schedule

CITY OF POMONA

DEPRECIATION SCHEDULE

	Account No.	Category Class	Category Description	Depreciable Life
NON-DEPRECIABLE			**LAND**	
	15100	L	Land	N/A
	15102	L	Water Rights	N/A
	15105	L	Right of Way	N/A
	15107	L	Easements	N/A
			WORK IN PROGRESS	
	15700	W	Work in Progress (WIP)	N/A
DEPRECIABLE			**BUILDINGS & IMPROVEMENTS**	
	15200	B	Buildings	50 yrs
	15200	B	Building Improvements - Mechanical	10 yrs
	15200	B	Buildings - Storage Sheds	15 yrs
	15200	B	Buildings - Miscellaneous Structures	20 yrs
	15200	B	Buildings - Modular	30 yrs
	15204	B	General Structure Improvements - Mechanical	10 yrs
	15204	B	General Structure - Storage Tanks	25 yrs
	15204	B	General Structures - Entrance Monuments	30 yrs
	15204	B	General Structures - Other Monuments	50 yrs
	15209	B	Improvements to City Hall	50 yrs
	15210	B	Energy Conservation Upgrades	10 yrs
			IMPROVEMENTS OTHER THAN BUILDINGS	
	15101	I	Parking Lot Lighting	25 yrs
	15101	I	Parking Lot Acquisitions & Improvements	25 yrs
	15106	I	Parkland Improvements	50 yrs
	15106	I	Parkland Improvements - Spectraturf	10 yrs
	15106	I	Parkland Improvements - Play Equipment	15 yrs
	15106	I	Parkland Improvements - Field Lighting & Fencing	25 yrs
	15106	I	Parkland Improvements - Shelters & Gazebos	25 yrs
	15106	I	Parkland Improvements - Hardscape & Parking Lots	25 yrs
	15106	I	Parkland Improvements - Modular Buildings	30 yrs
	15106	I	Parkland Improvements - Constructed Buildings	50 yrs
	15201	I	Leasehold Improvements	50 yrs
	15300	I	Improvements to Land - Storage Tanks & Fencing	15 yrs
	15300	I	Improvements to Land - Parking Lots	25 yrs
	15300	I	Improvements to Land - Entrance Monuments	30 yrs
	15300	I	Improvements to Land - Ramps & Retaining Walls	50 yrs
	15300	I	Improvements to Land - Lot Lighting	75 yrs
	15651	I	Transportation Railway - Metrolink Station	50 yrs
			MACHINERY AND EQUIPMENT	
	15206	M	Water Treatment Plants	50 yrs
	15207	M	Reservoirs - Refurbished (per water dept)	10 - 25 yrs
	15207	M	Reservoirs - Concrete	50 yrs
	15207	M	Reservoirs - Steel	65 yrs
	15301	M	Tunnel Wells	75 yrs
	15302	M	Wells	75 yrs
	15304	M	Sewer Lines	75 yrs
	15400	M	Audio Visual or Television Studio	10 yrs
	15400	M	Machinery & Equipment - All Other	10 yrs
	15400	M	Machinery & Equipment - Computer Related	5 yrs
	15401	M	Fire Alarm	10 yrs
	15405	M	Pumping Equipment - Pump (per water dept)	3 - 5 yrs
	15405	M	Pumping Equipment - Submersible Bowl Assembly	10 yrs
	15405	M	Pumping Equipment - Amonia Feed System	10 yrs

CITY OF POMONA

DEPRECIATION SCHEDULE

DEPRECIABLE

		MACHINERY AND EQUIPMENT	
15405	M	Pumping Equipment - Booster Pump	60 yrs
15405	M	Pumping Equipment - Sewer Lift Stations	50 yrs
15405	M	Pumping Equipment - Reclaimed Water Booster Pump	100 yrs
15406	M	Water Treatment Equipment	50 yrs
15406	M	Water Treatment Equipment Air Stripper AC Vent	10 yrs
15406	M	Water Treatment Equipment - Air Stripper	15 yrs
15406	M	Water Treatment Equipment Sand Separators	20 yrs
15407	M	Transmission & Distribution Mains	75 yrs
15408	M	Meters	15 yrs
15408	M	Meters - Reclaimed Water	25 yrs
15410	M	Communication Equipment	10 yrs
15411	M	Tools/Shop & Garage Equipment	10 yrs
15412	M	Laboratory Equipment	10 yrs
15603	M	Reclaimed Reservoirs	65 yrs
15605	M	Reclaimed Communications Equipment	10 yrs
		FURNITURE AND FIXTURES	
15402	F	Furniture & Fixtures	10 yrs
		AUTOS AND TRUCKS	
15403	A	Autos & Trucks - Regular	5 yrs
15403	A	Trucks & Vans - Specially Equipped	10 yrs
		EQUIPMENT UNDER CAPITAL LEASE	
15500	C	Capital Lease - Computer Related	5 yrs
15500	C	Capital Lease - Autos & Trucks Regular	5 yrs
15500	C	Capital Lease - Machinery & Equipment	10 yrs
15500	C	Capital Lease - Trucks & Vans - Specially Equipped	10 yrs
15500	C	Capital Lease - Helicopters	15 yrs
		INFRASTRUCTURE	
15610	IN	Roadways - Asphalt Arterials - Collectors	25 yrs
15610	IN	Roadways - Asphalt - Residential	35 yrs
15610	IN	Roadways - Rigid/Concrete - Arterial	60 yrs
15610	IN	Roadways - Rigid/Concrete - All Other	70 yrs
15611	IN	Street Lighting	75 yrs
15612	IN	Traffic Signals - Cameras	10 yrs
15612	IN	Traffic Signals	25 yrs
15612	IN	Traffic Signals - Beacons	25 yrs
15612	IN	Traffic Signals - Interconnect	50 yrs
15613	IN	Sidewalks	75 yrs
15614	IN	Storm Drains	50 yrs
15615	IN	Bridges	75 yrs
15616	IN	Curbs and Gutters	75 yrs

IX. DEBT MANAGEMENT (City Council Policy)

The purpose of this Debt Management Policy ("Policy") is to establish guidelines and parameters for the effective governance, management and administration of the debt of the City of Pomona and its covered entities ("City"). This Policy is intended to comply with California Government Code Section 8855(i), and any successor statute, and shall govern all debt which is contemplated or incurred by the City and its covered entities.

The City hereby recognizes that a fiscally prudent Policy is required to:

- Maintain the City's sound financial position;
- Ensure the City has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses;
- Protect the City's creditworthiness;
- Ensure that all debt is structured to protect both current and future taxpayers, ratepayers and constituents of the City; and
- Ensure that the City's debt is consistent with the City's planning goals, objectives, capital improvement program, and/or budget.

A. Background

The City is committed to fiscal sustainability by employing long-term financial planning efforts, maintaining appropriate reserves levels and employing prudent practices in governance, management, budget administration and financial reporting. This Debt Management Policy (the "Debt Policy") establishes the parameters within which debt may be issued and administered by the City of Pomona (the "City"), the Pomona Financing Authority, and the Successor Agency to the Former Redevelopment Agency of the City of Pomona (collectively, the "Covered Entities"). Additionally, these policies apply to debt issued by a Covered Entity on behalf of assessment, community facilities, or other special districts, and conduit-type financing by a Covered Entity for multifamily housing or industrial development projects.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. A disciplined, thoughtful approach to debt management includes policies that provide guidelines for the City to manage its debt consistent with available and reasonably anticipated resources. Therefore, the objective of this Policy is to provide written guidelines concerning the amount and type of debt which may be issued by the City and the ongoing management of debt obligations.

This Policy is intended to make all relevant information readily available to decision- makers and the public to improve the quality of decisions, provide justification for the structure of debt issuances, identify policy goals and demonstrate a commitment to long- term financial planning, including a multi-year capital plan. Adherence to a Policy signals to rating agencies and the capital markets that the City is well managed and able to meet its obligations in a timely manner.

Relationship of Debt to Capital Improvement Program and Budget

The City has established long-term plans for replacing aging physical infrastructure. The City strives to maintain a level funding plan that will minimize the peaks and valleys in General Fund support levels and allows the funding of projects over time. The City utilizes debt obligations only after giving due consideration to all available funding sources, including but not limited to available cash reserves, other strategic savings programs, available current revenues, potential future revenue sources, existing and potential grants, and all other financial sources legally available to be used for such purposes. When and if deemed an appropriate alternative, the City may issue debt for the purposes stated in this Policy to implement policy decisions incorporated in the Capital Improvement Program.

The City shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. To the extent practicable in the circumstances, the City will avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear. Rather, those readily anticipated infrastructure and facility repairs and replacements should be funded through reserve policies.

The City shall coordinate its debt issuances with the goals of its Capital Improvement Program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the City's public purposes. The City shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its General Fund.

Policy Goals Related To Planning Goals and Objectives

The City is committed to long-term financial planning, maintaining appropriate reserve levels, and employing prudent practices in governance, management, and budget administration. The City intends to issue debt only for the purposes stated in this Policy and to implement policy decisions incorporated in the Capital Improvement Program. Adoption of this Policy will help ensure that debt is issued and managed in a manner that protects the public interest.

It is a policy goal of the City to protect taxpayers, ratepayers (if applicable) and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The City shall comply with applicable state and federal law as it pertains to debt and the procedures for levying and imposing related taxes, assessments, rates, or charges.

B. Conditions and Purposes of Debt Issuance

1. Acceptable Conditions for the Use of Debt

The City believes that prudent amounts of debt can be an effective means of financing major infrastructure and capital project needs of the City. Debt will be considered to finance such projects if:

a) It meets the City's goal of distributing costs of the asset over its useful life so that benefits more closely match costs for both current and future residents.
b) It is the most cost-effective funding means available to the City, taking into account cash flow needs, maintenance of prudent reserves and other funding alternatives.
c) It is fiscally prudent and meets the guidelines of this Policy, the City's Municipal Code, and the City's Charter. Any consideration of debt financing shall consider financial alternatives, including pay-as-you-go funding, proceeds derived from development or redevelopment of existing land and capital assets owned by the City, and use of existing or future cash reserves, or any combination thereof.

Affordability

Prior to the issuance of debt to finance a project, the City shall carefully consider the overall long-term affordability of the proposed debt issuance. The City shall not assume more debt without conducting an objective analysis of the City's ability to assume and support additional debt service payments. The City shall consider its long-term revenue and expenditure trends, the impact on operational flexibility and the overall debt burden on the tax payers. The evaluation process shall include a review of generally accepted measures of affordability and will strive to achieve and or maintain debt levels consistent with its current operating and capital needs. The Finance Director shall review benchmarking results of other California cities of comparable size with the City Council prior to any significant project financing.

2. Purposes for Which Debt May Be Issued

The City may consider financing for the acquisition, substantial refurbishment, replacement or expansion of physical assets, including land improvements. The primary purpose of debt would be to finance one or more of the following:

a) Acquisition and or improvement of land, right-of-way, leaseholds or long-term easements;
b) Acquisition of equipment or a capital asset with a useful life of three (3) or more years.
c) Construction or reconstruction of a facility;
d) Refunding, refinancing, or restructuring debt, subject to refunding objectives and parameters discussed herein;
e) Although not the primary purpose of the financing effort, project reimbursable costs that include project planning, design, engineering and other preconstruction efforts; project-

associated furniture, fixtures and equipment; capitalized interest, original issuer's discount, underwriter's discount and other costs of issuance; and

f) Interim or cash flow financing, such as tax, revenue or bond anticipation notes.

3. Prohibited Uses of Debt

Prohibited uses of debt include the following:

a) Financing of operating costs except for anticipation notes with a term of less than one year.
b) Debt issuance used to address budgetary deficits or routine maintenance expenses.
c) Debt issued for periods exceeding the useful life of the asset or projects to be financed. The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.

4. Types of Debt Allowed

The following types of debt are allowable under this Debt Policy:

a) General obligation bonds (GO Bonds);
b) Bond or grant anticipation notes (BANs);
c) Lease revenue bonds, certificates of participation (COPs) and lease-purchase transactions;
d) Other revenue bonds and COPs;
e) Tax and revenue anticipation notes (TRANs);
f) Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes;
g) Tax increment financing to the extent permitted under State law; and
h) Conduit financings, such as financings for affordable rental housing and qualified 501(c)(3) organizations.
i) Alternative debt instruments subject to the provisions of Section D contained in this policy.

5. Approval Process for the Issuance of Debt

Any issuance of debt, either through a public sale of securities, private placement or direct purchase is subject to the formal approval of the City Council as a non-consent item on a City Council agenda. As part of the City Council approval, a formal resolution authorizing the issuance of a specific form of debt shall be required as part of the authorizing documents. The resolution shall include, at a minimum, the following:

a) The specific project(s) for which the debt is being incurred;
b) The maximum principal amount to be borrowed;

c) The maximum term, which will be no greater than the useful life of the project(s), equipment, or capital asset, whichever is applicable and longer;
d) The maximum interest rate or true interest cost;
e) The maximum annual debt service;
f) Call provisions, including specifically identifying any deviation from Section C (i) below;
g) Estimated Costs of Issuance;
h) Maximum Underwriter's Discount; and
i) A list of all consultants hired for the issuance including, at a minimum, bond counsel, disclosure counsel, municipal advisor and underwriter(s).

In addition to the authorizing resolution, the City Council shall be provided copies of the various financing documents including indentures, purchase agreements and preliminary official statements. For any sale of securities, the City shall be required to retain an Independent Registered Municipal Advisor ("IRMA") to serve as the City's fiduciary on every sale. The IRMA will provide independent analysis of all financing scenarios considered with a specific recommendation to the City Council supported by the analysis. The written recommendation of the IRMA shall be provided to City Council as an attachment to the City's Staff Report.

C. Structure of Debt (Fixed Rate)

a) Term of Debt – Unless financially beneficial to do otherwise, debt shall be structured with the goal of spreading payments for the project, equipment, or capital asset over its useful life so that benefits more closely match costs for both current and future residents. The duration of borrowings by the City shall not exceed the useful life of the project, equipment, or capital asset it finances. The standard term of long-term borrowing is typically fifteen to thirty years.
b) Pace of Debt Payment – Accelerated repayment schedules reduce debt burden faster and reduce total borrowing costs. Debt repayment shall be amortized through the most financially advantageous debt structure and, if applicable, to match the City's projected cash flow to the anticipated debt service payments, to the extent possible. "Backloading" of debt service should be considered only when one or more of the following occur:

    1) Natural disasters or extraordinary or unanticipated external factors make payments on the debt in early years impractical.
    2) The benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present.
    3) Such structuring is beneficial to the City's aggregate overall debt payment schedule or achieves measurable interest savings.
    4) Such structuring will allow debt service to more closely match project revenues during the early years of the project's operation.

c) Level Payment – To the extent practical, bonds will be amortized on a level repayment basis, and revenue bonds will be amortized on a level repayment basis considering the forecasted available pledged revenues to achieve the lowest rates possible. Bond repayments should not increase on an annual basis in excess of two percent (2%) without a dedicated and supporting revenue-funding stream.
d) Serial Bonds, Term Bonds, and Capital Appreciation Bonds – For each issuance, the City shall select serial bonds or term bonds, or both. On the occasions where circumstances warrant, Capital Appreciation Bonds ("CAB") may be used. The decision to use term, serial, or CAB bonds shall be based on market conditions.
e) Reserve Funds – The City shall strive to maintain a fund balance in the designated bond reserve funds at a level equal to or greater than the maximum annual debt service of existing obligations.
f) Capitalized Interest - The City shall seek to avoid the use of capitalized interest, which defers debt service by increasing the size of a debt issue to fund interest. On occasion, capitalized interest may be considered to the extent that the City wishes to defer the beginning of debt service until project completion, to match project revenues with debt service.
g) Discount Bonds - While discount and deep discount bonds may reduce the interest cost of the bonds below that of par or premium bonds, they should only be used in limited situations as they reduce the potential for future savings from refunding of the bonds.
h) Premium Bonds - Premium bonds may provide for a lower overall interest cost compared to par or discount bonds. An analysis should be prepared comparing the yield to maturity and yield to call of the premium bond structure compared to alternative couponing. This comparison should be done on maturity-by-maturity basis. The value of the call option of the higher coupon with respect to the future ability to refund should be reviewed as well.
i) Call Provisions - In general, the City's debt obligations should include an optional redemption feature at par that arises not later than ten (10) years after the issuance of the debt. However, if market conditions exist where a call option at par arising later than ten (10) years after issuance of debt, or a "make-whole" call would benefit the City, the authorizing bond resolution must explicitly provide staff the authorization to negotiate these options. The City Council should set parameters that guide staff's negotiations. Alternatively, since decisions on pricing of debt and financial consequences of call or make whole provisions can arise in a very compressed timeframe with the potential for unanticipated market conditions, in connection with approving an authorizing bond resolution, the City Council should designate a date for pricing and call and notice a special or regular meeting of the City Council for that date in the event the alternatives available to the staff are outside the parameters set by the City Council. It is the City's intent to maximize prepayment flexibility on all bond issues. Shorter call provisions may be considered on a case-by-case basis.

D. Use of Alternative Debt Instruments

The City recognizes that there are numerous types of financing structures and funding sources available, each with specific benefits, risks, and costs. All potential funding sources shall be reviewed by management within the context of this Policy and the overall portfolio to ensure that any financial product or structure is consistent with the City's objectives. Regardless of what financing structure(s) is utilized, due-diligence review must be performed for each transaction, including the quantification of potential risks and benefits, and analysis of the impact on City creditworthiness and debt affordability and capacity. Because fixed rate debt transfers most financial risks to bondholders, fixed rate debt should be considered the preferred method of financing long-term capital needs. Therefore, while permitted for consideration, variable rate debt and derivatives are disfavored.

E. Refunding Guidelines

The Finance Director shall monitor at least annually all outstanding City debt obligations for potential refinancing opportunities. The City should consider refinancing of outstanding debt to achieve annual savings. Absent a compelling economic reason or financial benefit to the City, any refinancing should not result in any increase to the weighted average life of the refinanced debt.

The City will generally seek to achieve debt service savings that on a net present value basis are at least three percent (3%) of the current debt being refinanced. Any potential refinancing executed more than ninety (90) calendar days in advance of the outstanding debt optional call date shall require at least a three percent net present value savings threshold. If there is negative arbitrage in an advance refunding, the interest efficiency should at least be fifty percent (50%). Under any savings scenario, the net present value assessment shall factor in all costs, including the total cost of issuance, escrow, and foregone interest earnings of any contributed funds on hand. Any potential refinancing shall additionally consider whether an alternative refinancing opportunity with higher savings can be reasonably expected in the future.

Consideration of this method of refinancing shall place greater emphasis on determining whether an alternative refinancing opportunity with higher savings is reasonably expected in the future.

F. Communication, Reporting and Debt Administration

1. Rating Agency Relations and Annual or Ongoing Surveillance

The Finance Director shall be responsible for maintaining the City's relationships with Standard & Poor's Ratings Services, Fitch Ratings and Moody's Investor's Service. The City is committed to maintaining or improving its existing rating levels. In addition to general communication, the Finance Director shall:

a) Ensure the rating agencies are provided updated financial information of the City as it becomes publicly available;
b) Communicate with credit analysts at each agency at least once each year, or as may be requested by the agencies; and
c) Prior to each proposed new debt issuance, schedule meetings or conference calls with agency analysts and provide a thorough update on the City's financial position, including the impacts of the proposed debt issuance.

City Council Communication – The Finance Director should report feedback from rating agencies to the City Council when and if available, regarding the City's financial strengths and weaknesses and recommendations for addressing any weaknesses as they pertain to maintaining the City's existing credit ratings.

Debt Issue Record-Keeping – A copy of all debt-related records shall be retained at the City's offices. At minimum, these records shall include all official statements, bond legal documents/transcripts, resolutions, trustee statements, leases, and title reports for each City financing (to the extent available).

Annual Reporting – the City shall comply with California Government Code Section 8855(k), or any successor statute, and the annual reporting requirements therein.

2. Debt Administration

Legal Debt Limit

Pomona City Charter Section 1013 provides that the total indebtedness authorized by (a) bonded indebtedness and (b) certificates of participation and similar debt instruments shall not exceed fifteen (15) percent of the total assessed valuation of real and personal property in the City for purposes of City taxation. Additionally, the sum of the interest and principal payments of all obligations (referenced in (a) and (b) above) charged to any fund may not exceed 30 percent of the previous year's revenue of that fund.

General Fund-Supported Debt – General Fund Supported Debt generally include Certificates of Participation ("COPs") and Lease Revenue Bonds ("LRBs") which are lease obligations that are secured by an installment sale or by a lease-back arrangement between the City and another related public entity. The general operating revenues of the City are pledged to pay the lease payments, which are, in turn, used to pay debt service on the LRBs or COPs. These obligations do not constitute indebtedness under the state constitutional debt limitation and, therefore, are not subject to voter approval. Payments to be made under valid leases are payable only in the year in which use and occupancy of the leased property is available, and lease payments may not be accelerated. Lease financing requires the fair market rental value of the leased property to be equal to or greater than the required debt service or lease payment schedule. The City as lessee is obligated to place in its annual budget the rental payments that are due and payable during each fiscal year the City has use of the leased property. The City should strive to maintain its net General Fund-backed debt service (interest and principal) at less than 20% of the previous year's General Fund revenue.

Revenue Bonds – Long-term obligations payable solely from specific pledged sources, in general, 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 or user fees (Enterprise Revenues) and revenues generated from a project. In determining the affordability of proposed revenue bonds, the City shall perform an analysis comparing projected annual net revenues from pledged sources to estimated annual debt service on revenue bonds. The City should strive to maintain a debt service coverage ratio of at least 125% using historical and/or projected net revenues to cover annual debt service for bonds. The City may require a revenue rate increase or reduce operating costs so that revenues cover both operations and debt service costs, and create debt service reserve funds to maintain the required coverage ratio.

Special Districts Financing – The City's Special Districts primarily consist of Community Facilities Districts ("CFDs") and 1913/1915 Act Assessment Districts ("Assessment Districts"). The City may consider requests for Special District formation and debt issuance when such requests address a public need or provide a public benefit. Each application shall be considered on a case-by-case basis as long as the City assumes no obligation under, or in connection with, such debt issuance. The Finance Department shall not recommend a financing if it is determined that the financing could be indirectly detrimental to the financial standing of the City or such financing would otherwise not be in the best interests of the City.

Conduit Debt – Conduit financing provides for the issuance of securities by a government agency to finance a project of a third party, such as a non-profit organization or other private entity. The City may sponsor conduit financings for those activities that have a general public purpose and are consistent with the City's overall service and policy objectives. Unless a compelling public policy rationale exists, such conduit financings will not in any way obligate the City or otherwise pledge the City's faith and credit.

3. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the City shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

Without limiting the foregoing, the City will periodically review the requirements of and will remain in compliance with the following:

a) Any continuing disclosure undertakings entered into by the Covered Entities in accordance with SEC Rule 15c2-12;
b) Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance; and
c) Investment policies as they relate to the use and investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the City upon the submission of one or more written requisitions by the City Manager (or his or her written designee), or (b) by the City, to be held and accounted for in a separate fund or account, the expenditure of which will be carefully documented by the City. On a quarterly basis, the Finance Director shall monitor the proceeds and the disposition of unexpended proceeds.

X. INVESTMENT (City Council Policy)

It is the policy of the City of Pomona ("City") to invest public funds in a manner that will provide maximum security, adequate liquidity and sufficient yield, while meeting the daily cash flow demands of the City and conforming to all statutes and regulations governing the investment of public funds.

A. Overview

1. Scope

The City of Pomona investment program will conform to federal, state, and other legal requirements, including California Government Code Sections 16429.1-16429.4, 53600-53609 and 53630-53686. The following investment policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal and investment management of the City's funds. This investment policy is brought before the City Council annually to be reaffirmed.

This investment policy applies to all the cash assets of City of Pomona, the Pomona Housing Authority, the Pomona Public Financing Authority, and the Successor Agency of the City of Pomona. These funds are accounted for in the City's audited Annual Financial Report. If the City invests funds on behalf of another agency and, if that agency does not have its own policy, the City's investment policy shall govern the agency's investments.

2. Pooling of Funds

Except for cash in certain restricted and special funds, the City shall consolidate cash balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income shall be allocated to various funds in accordance with generally accepted accounting principles.

3. Funds Included in this Policy

The funds subject to this policy are: General Fund; Special Revenue Funds; Capital Project Funds; Enterprise Funds; Internal Service Funds; Trust and Agency Funds; and any new fund that may be created unless specifically exempted.

4. Funds Excluded from this Policy

a) City's Service Retirement System Fund. This fund is managed by the California Public Employee's Retirement System (CalPERS).

b) Deferred Compensation Funds. Both the regular deferred compensation plan and the City's Hourly/Part-time Employee Retirement Plan are invested in accordance with its trust fund agreement.

c) City’s Postemployment Benefits Plan. These funds are managed by PARS and are related to the collateral benefit program provided through employee MOUs.
d) Bond Proceeds. Investment of bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this policy.

B. General Objectives

The overriding objectives of the investment program are to preserve principal, provide sufficient liquidity, provide sufficient investment yield, and manage investment risks.

1. Safety

Preservation of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective shall be to mitigate credit risk and interest rate risk. To attain this objective, the City shall seek to diversify its investments by investing funds among several financial institutions and a variety of securities offering independent returns.

a) Credit Risk

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

- Limiting investments to the most creditworthy types of securities
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business
- By diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place an undue financial burden on the City

b) Interest Rate Risk

To minimize the negative impact of material changes in the market value of securities in the portfolio, the City shall:

- Structure the investment portfolio so that securities mature concurrent with cash needs to meet anticipated demands, thereby avoiding the need to sell securities on the open market prior to maturity
- Invest operating funds primarily in shorter-term securities, money market mutual funds, and the State of California’s Local Agency Investment Fund (“LAIF”)

2. Liquidity

The City’s investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated without requiring a sale of securities.

3. Yield (Return on Investment)

The City's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the liquidity characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

C. Standards of Care

1. Prudence

The standard of prudence to be used by City investment officials shall be the "prudent investor standard" (California Government Code Section 53600.3) in that a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of an enterprise of a like character and with like aims. This standard shall be applied in the context of managing the overall portfolio. City 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.

2. Indemnification

The City Treasurer and other authorized persons responsible for managing City funds, acting in accordance with written procedures and the Investment Policy and exercising due diligence, will be relieved of personal responsibility for an individual security's risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

3. Ethics and Conflicts of Interest

Officers and employees involved in the City investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. City employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City immediately to the Pomona City Treasurer and annually to the Fair Political Practices Commission. City employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

4. Delegation of Authority

Authority to manage the City's investment program is derived from Sections 704 and 705 of the Charter of the City of Pomona. In accordance with Section 704 (City Treasurer) the City Council shall appoint the City Treasurer who has the authority to invest or to reinvest funds, or to sell or exchange securities. Upon appointment, the City Treasurer shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. By Charter (Sec 705), the Finance Director also has authority to receive and invest City funds.
The City may engage the services of one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

5. Procedures and Internal Controls

Management responsibility for the investment program is delegated to the City Treasurer who shall establish a separate written investment procedures manual to assist investment staff with day-to-day operations of the investment program consistent with this policy. The procedures should include reference to: authorized personnel, safekeeping, master repurchase agreements, wire transfer agreements, banking service contracts, collateral/depository agreements, and cash flow forecasting. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer. The operation of the investment program shall be consistent with this policy and the investment procedures manual.

The City Treasurer is responsible for establishing and maintaining a system of written internal controls. These controls shall be reviewed annually with an independent external auditor who will notify the City Council if there is a material non-compliance with its policies and procedures. The internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by City employees and officers. The internal structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

6. Review of Investment Portfolio

The securities held by the City must be in compliance with Section F Suitable and Authorized Investments at the time of purchase and at least quarterly. The City Treasurer shall establish procedures to report to the City Council, major and critical incidences of noncompliance identified through the review of the portfolio.

D. Authorized Financial Dealers and Institutions

The Treasurer shall transact business only with Registered Investment Advisors, national or state-chartered banks, savings and loans, and broker dealers. The dealers should be primary dealers regularly reporting to the New York Federal Reserve Bank, or approved regional or secondary market dealers that qualify under the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). The Treasurer shall formally authorize investment broker-dealers to provide investment services to the City and shall maintain a list of financial institutions so authorized to provide investment services. Audited financials, proof of Financial Industry Regulatory Authority (FINRA) certification, State of California registration, and certification of having read and understanding the City's Policy is required from approved advisors.

If a third party investment advisor is authorized to conduct investment transactions on the City's behalf, the investment advisor may use its own list of broker/dealers and financial institutions. The investment advisor's list must be available to the City upon request.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

E. Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis which will ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities shall be held by a third-party custodian or broker/dealer designated by the City Treasurer. The only exception to the foregoing shall be depository accounts and securities purchases made with: LAIF, time certificates of deposit and money market mutual funds, since the purchased securities are not deliverable. City Treasurer shall be bonded to protect the public against possible embezzlement and malfeasance.

F. Suitable and Authorized Investments

The City is governed by the California Government Code, Sections 53600 et seq. If the Code is amended to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to the changes in the revised Code, provided that the changes are not specifically prohibited by the City's policy. The City shall be required to present those changes in the annual review of the policy and to incorporate the new legislation within the policy. Surplus funds are defined as funds not required for the immediate necessities of the City and include investments in individually managed portfolio(s), money market fund(s) and/or State LAIF, and all portfolio limitations and restrictions shall apply to this aggregate amount. For purposes of compliance with the California Government Code and the City's

Investment Policy, the credit rating requirement for medium-term notes, deposit notes, bank notes and commercial paper shall be based on the quality ratings at the time of purchase. If the quality rating of the issuer is downgraded, subsequent to purchase, by any of the Nationally Recognized Statistical-Rating Organizations below "rating category A", or its equivalent, it shall be reported to the City Council with a recommendation, and ongoing information shall be provided if the bond is not sold. Percentage limitations of surplus funds invested are noted for the various investment instruments. Where there is a specified percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase. A later increase or decrease in a percentage resulting from a change in values or assets shall not constitute a violation of that restriction.
The City is empowered by statute to invest in the following types of securities:

1. Authorized Investment Summary Matrix

	Investment Type	**Maximum Maturity**	**Maximum Specified % of Portfolio**
1	City of Pomona Bonds	5 Years	No limit
2	U.S. Treasury Obligations	5 years	No limit
3	U.S. Agency Obligations	5 years	No limit
4	CA and Local Agency Obligations	5 years	No limit
5	Other State and Local Agency Obligations	5 Years	15%
6	Medium-Term Notes	5 Years	30%
7	Bankers' Acceptances	180 days	40%
8	Commercial Paper	270 days	25%
9	Negotiable Certificates of Deposit	5 years	15%
10	Time Deposits	5 years	10%
11	Savings Accounts	5 years	10%
12	Money Market Mutual Funds	n/a	15%
13	Repurchase Agreements	92 days	20%
14	Local Agency Investment Fund (LAIF)	n/a	No limit
15	Supranational	5 Years	30%
16	Pass-Through Securities	5 Years	20%

Investment Types

a) Bonds issued by the City, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by the City or by a department, board, agency, or authority of the local agency.

b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

c) Federal Agency or United States government-sponsored enterprise obligations (GSE), participations, or other instruments.

d) State of California and Local Agency Obligations. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state; and bonds, notes, warrants, or other evidence of indebtedness of any local agency within this state including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Notes eligible for investment shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations.

e) Out-of-State and Local Agency Obligations. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the other 49 states in addition to California; and bonds, notes, warrants, or other evidence of indebtedness of any local agency within this state including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Notes eligible for investment shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations.

f) Medium-Term Notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five (5) years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases of medium-term notes may not exceed 30% of the City's surplus funds. Investments in medium-term notes for any one non-government issuer shall be limited to no more than of surplus funds. Notes eligible for investment shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations.

g) Bankers Acceptances otherwise known as bills of exchange or time drafts, drawn on and accepted by a commercial bank, which are eligible for purchase by the Federal Reserve

System. Purchased bankers acceptances may not exceed one hundred and eighty (180) days maturity or 40% of the City's surplus funds, and no more than 5% of the City's surplus funds may be invested in the banker's acceptances of any one commercial bank.

i. They are issued by institutions with short term debt obligations rates "A1" or higher, or equivalent, by at least two nationally recognized statistical-rating organization ("NRSRO"); and have long-term debt obligations which are rated "A" or higher by at least two NRSRO.

h) Commercial Paper of "prime" quality of the highest ranking or the highest letter and number rating as provided for by a Nationally Recognized Statistical-Rating Organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

i. The entity is organized and operating in the United States as a general corporation and has total assets in excess of five hundred million dollars ($500,000,000). In addition, its debt other than commercial paper, if any, must be rated "A" or higher by a Nationally Recognized Statistical-Rating Organization.

ii. The entity is organized within the United States as a special purpose corporation, trust, or limited liability company and has a program-wide credit enhancement including, but not limited to, over-collateralization, letters of credit, or a surety bond. In addition, the entity has commercial paper that is rated "A-1" or higher, or the equivalent, by a Nationally Recognized Statistical- Rating Organization.

Eligible commercial paper shall have a maximum maturity of two hundred and seventy (270) days or less. The City may not invest more than 25% of its surplus funds in no more than 10% of the outstanding eligible commercial paper of any single issuer.

i) Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or savings association or federal association or a state or federal credit union or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 15% of the City's surplus money invested and shall be limited to no more than 3% of any one issuer. Deposit notes and bank notes purchased through a broker or dealer shall be included with negotiable certificates of deposit in calculating allowable maximum percentages. Certificate of Deposit will be limited to maximum federally insured amount per issuer guaranteed by the Federal Deposit Insurance Corporation (FDIC).

j) Time Deposits. The City may invest in non-negotiable Certificates of Deposit at commercial banks and savings and loan associations that are collateralized in accordance with the California Government Code. To be eligible to receive City funds, the depository institution shall have received an overall rating of not less than "satisfactory" in its most recent evaluation of its record of meeting the credit needs of California's communities, including low and moderate-income neighborhoods. In selecting depositories, the credit worthiness of institutions shall be considered. Banks and savings and loan associations seeking to establish an investment relationship with the City shall submit an audited financial report that shall be reviewed for compliance with the City's investment standards. Any institution not providing an audited annual financial report shall be removed from the approved list and all funds maturing will be withdrawn. A list of eligible institutions shall be maintained. Qualification shall be determined by the following criteria:

i. Tangible capital must equal or exceed 1½%; core capital must equal or exceed 3%; and, risk-based capital must equal 8% of assets adjusted for assigned risk-weightings.

ii. Return on assets of a minimum of a ½%; a return on equity of a minimum of 8%; an equity to assets ratio of a minimum of 5%; and, City investments shall be no greater than ½% of the total assets of the depository.

iii. Independent auditor's statement must have a clean opinion.

k) Savings accounts. Savings accounts when used in conjunction with the City's checking accounts at a qualified bank where funds are collateralized in accordance with the California Government Code.

l) U. S. Government money market funds registered with the Securities and Exchange Commission and which comply with rule 2a7 of the Investment Company Act of 1940. The dollar weighted average maturity of the portfolio shall be less than ninety (90) days and the portfolio is managed to maintain a one dollar ($1.00) share price. Also, the fund shall meet either of the following criteria: (a) Attained the highest ranking or the highest letter and numerical rating provided by not less than two Nationally Recognized Statistical-Rating Organizations; (b) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

m) Repurchase Agreements. Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of any securities authorized by the Code, so long as the proceeds of the repurchase agreement are invested solely to supplement the income normally received from these securities. The City shall adopt as a standard the Bond Market Association Master Repurchase Agreement and shall maintain a list of approved counterparts and limit counter parties to primary dealers rated "A" or better by two Nationally Recognized Statistical-Rating Organizations. Reverse repurchase agreements and securities lending agreements shall require City Council authorization separate from City Council approval of this policy. Securities lending agreements shall include the following safeguard measures: terms of lending agreements, indemnification provisions, reinvestment guidelines, liquidity provisions, credit risks and monitoring requirements. Additionally, any securities lending agreement shall be reviewed by the City Attorney to ensure the City's interests are properly protected.

i. Investments in repurchase agreements may be made, on any authorized investment, when the term of the agreement does not exceed one year.

ii. Reverse repurchase agreements or securities lending agreements may be utilized when the security to be sold on the reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the City for a minimum of thirty (30) days prior to sale; the total of all reverse repurchase agreements on investments owned by the City does not exceed 20% of the base value of the portfolio; and the agreement does not exceed a term of ninety-two (92) days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

n) Local Agency Investment Fund (LAIF). The City may invest in The Local Agency Investment Fund (LAIF), a special fund in the California State Treasury created and governed pursuant to Government Code Sections 16429.1 et seq. This law permits the City with the consent of the Board of Directors, to remit money not required for the City's immediate need, to the State City Treasurer for deposit in this special fund for the purpose of investment. The City may invest up to the maximum amount permitted by LAIF. The California Government Code states that monies placed for deposit in LAIF are in trust in the custody of the State City Treasurer and cannot be borrowed or be withheld from the City. Further, the right of the City to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or agency based upon the State's failure to adopt a budget by July 1 of each new fiscal year.

o) Supranational. United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter- American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested in this section.

p) Pass-Through Securities. A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.

2. Collateralization

Collateralization shall be required on two types of investments: Certificates of deposit and repurchase (and reverse repurchase) agreements. A collateral agreement must be current and on file before any funds can be transferred for collateralized certificates of deposit. Collateral shall be held by an independent third party with whom the City has a current written custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution is granted in accordance with the following requirements:

a) Certificates of Deposit
   1) Government securities used as collateral require 102% of market value to the face amount of the deposit
   2) Promissory notes secured by first trust deeds used as collateral require 150% of market value to the face amount of the deposit
   3) Irrevocable letters of Credit issued by the Federal Home Loan Bank of San Francisco require 105% of market value to the face amount of the deposit

b) Repurchase and Reverse Repurchase Agreements
   1) Only U.S. Treasury securities or federal agency securities are acceptable collateral. All securities underlying repurchase agreements must be delivered to the City's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each repurchase agreement must equal or exceed 102% of the total dollar value of the money invested by the City for the term of the investment. For any repurchase agreement with a term of more than one (1) day, the value of the underlying securities must be reviewed on an ongoing basis according to market conditions. Market value must be calculated each time there is a substitution of collateral.
   2) The City or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to a repurchase agreement.

3. Investments Not Approved

Any security type or structure not specifically approved by this policy is hereby prohibited. Security types, which are hereby prohibited include, but are not limited to: Reverse repurchase agreements used as a leveraging vehicle, "exotic" derivatives structures such as range notes, dual index notes, inverse floating-rate notes, leveraged or de-leveraged floating-rate notes, interest-only strips that are derived from a pool of mortgages, any security that could result in zero interest accrual if held to maturity, any other complex variable or structured note with an unusually high degree of volatility or risk, purchasing or selling securities on margin, and the purchase of foreign currency denominated securities.

4. Exceptions to Prohibited and Restricted Investments

The City shall not be required to sell securities prohibited or restricted in this policy, or any future policies, or prohibited or restricted by new State regulations, if purchased prior to their prohibition and/or restriction. Insofar as these securities provide no notable credit risk to the City, holding of these securities until maturity is approved. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

G. Investing Parameters

1. Diversification

The City shall diversify its investments by security type, issuer, maturity, and financial institutions. No percentage limitations are established for United States government, United States government agencies, United States government sponsored enterprises, and LAIF; however percentage limitations are established for other permitted investments, as noted in Section VII of this policy. The investments shall be diversified by limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury, Federal Agency securities, and LAIF), limiting investment in securities that have higher credit risks, and investing in securities with varying maturities.

2. Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Where there is no specified maturity limitation on an investment, no investment shall be made in any security, which, at the time of the investment, has a term remaining to maturity in excess of five (5) years, unless the City Council has granted express authority to make that investment no less than three months prior to the investment.

H. Portfolio Risk Management

1. Credit Risk

Credit risk is the risk that a security or portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City will mitigate credit risk by adoption the following strategies:

a) The diversification requirements included in Section IX are designed to mitigate credit risk in the portfolio;
b) No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and enterprises, Supranational Securities and mutual funds ;
c) The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or City's risk preferences; and

d) If securities owned by the City are downgraded by either Moody's or S&P to a level below the quality required by this Investment Policy, it will be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.

   i. If a security is downgraded, the City Treasurer, will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
   ii. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the governing board.

2. Market Risk

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The City recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City will mitigate market risk by providing adequate liquidity or short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The City further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The City, therefor, adopts the following strategies to control and mitigate its exposure to market risk:

a) The City will maintain a minimum of three months of budgeted operating expenditures in short term investments to provide sufficient liquidity or expected disbursements
b) The maximum percent of callable securities (does not include "make whole call" securities as defined in the Glossary) in the portfolio will be 20%
c) The maximum stated final maturity of individual securities in the portfolio will be five years, except as otherwise stated in this policy
d) The duration of the portfolio will at all times be approximately equal to the duration (typically plus or minus 20%) or Market Benchmark Index selected by the City based on the City's investment objectives, constraints and risk tolerances. The City's current Benchmark will be documented in the investment procedures manual.

I. Reporting

The City Treasurer shall submit investment reports to the City Council that provide a clear picture of the status of the current investment portfolio and shall contain sufficient information to permit an independent organization to evaluate the performance of the investment program.

1. Reporting to City Council

In accordance with California Government Code Section 53646, the City Treasurer shall submit to City Council, within thirty (30) days following the end of the quarter, an investment report that summarizes all securities in the portfolio. The City has elected to provide this report monthly. The report shall include:

a) Investment type;
b) Purchase date;
c) Maturity date;
d) Credit quality;
e) Coupon and yield;
f) Book value;
g) Market value;
h) Interest Earnings;
i) Average days to maturity; and
j) Statement of the ability to meet expenditures for the next six months (or an explanation as to why sufficient money shall, or may, not be available).

J. Performance Standards

The investment portfolio shall be managed in accordance with the parameters specified within this policy and always within consistently safe and prudent treasury management procedures.

1. Market Yield (Benchmark)

The City's overall investment strategy is passive: Investments are generally held to maturity. If an investment advisory firm is retained by the City, the City portfolio shall be compared to a customized benchmark in order to determine whether market yields are being achieved. In addition, the quarter-to-date LAIF apportionment rate and the two-year U.S. Treasury Note shall also be considered useful benchmarks of the City's portfolio performance.

2. Marking to Market

The market value of the portfolio shall be calculated at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed. In defining market value, consideration shall been given to pronouncements from the Government Accounting Standards Board (GASB) that address the reporting of investment assets and investment income for all investment portfolios held by governmental entities. The fair value of all securities reported in the City's portfolio is based on currently quoted market prices.

K. Investment Policy Compliance and Adoption

1. Policy Compliance and Changes

Any deviation from the policy shall be reported to City Council at the next scheduled meeting. The City Treasurer shall promptly notify the City Council of any material change in the policy, and any modifications to the policy must be approved by the City Council.

2. Annual Statement of Investment Policy

The City Treasurer shall render a written Investment Policy that shall be reviewed at least annually by the City Council to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends. The City Council shall consider the annual Investment Policy and any changes therein at a public meeting. The Investment Policy shall be adopted by resolution of the City Council.

3. Periodic Audit

The City Treasurer will ensure as part of the City's annual audit treasury functions are reviewed and are in compliance with internal controls.

XI. Glossary of Terms

Accrual Basis. The basis of accounting in which transactions are recognized at the time they are incurred, as opposed to when cash is received or spent. The accrual basis of accounting is used to account for all proprietary (enterprise and internal service funds) fund types.

Acknowledgement. A written or electronic communication sent by the supplier to the City that indicates that the supplier has accepted the purchase order. It may be a form of acceptance and create a bilateral contract. However, it may also be a form of counter-offer from the seller to the buyer.

Activity. Departmental efforts that contribute to the achievement of a specific set of program objectives; the smallest unit of the program budget.

Actuarial Assumptions. Assumptions made by actuaries about factors affecting pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include mortality, disability, and retirement rates. Economic assumptions include investment return, salary growth, payroll growth, inflation rates, and health care inflation rates.

Actuarial Gains or Losses. A gain or loss arising from the difference between prior actuarial estimates and actual experience in the pension plan. Actuarial gains and losses are used in pension plan accounting because of assumptions made about future salary increases, length of employee tenure, and expected rates of returns on the investment of plan assets (see "Discount Rate" below).

Actuarial Report. An annual report on the financial condition of a pension plan that typically includes a detailing of any actuarial gains and losses with associated amortization bases/schedules, an actuarial valuation of the plan's assets and liabilities, a determination of the plan's funded status, the UAL and the ARC. CalPERS typically issues actuarial reports for its pension plans in and around July or August for the prior fiscal year.

Actuarial Valuation. A periodic appraisal of a pension plan in which actuarial assumptions are used to estimate the present value of the plan's assets and liabilities. An actuarial valuation differs from a market valuation because results are produced from a mathematical model that relies on statistical inferences and assumptions as opposed to marketplace/transactional data.

Actuarially Required Contribution (ARC). The annual, actuarially determined contribution rate is a combination of (1) a normal costs payment for benefits earned during the same fiscal year, and (2) an unfunded liability payment for any funding shortfall that has accrued over time (see "Unfunded Accrued Liability" below).

Actuary. A person professionally trained in the technical and mathematical aspects of insurance, pensions, and related fields. An actuary estimates how much money must be contributed to a pension fund each year in order to support the benefits that will become payable in the future.

Addendum / Addenda. An instrument used to make changes to a solicitation after the solicitation has been sent to prospective contractors but before contractor responses are due. All addenda should state whether the deadline for submissions has changed or remains the same.
Additional Discretionary Payments (ADPs). Additional payments made to a pension plan to pay down the UAL.
Advance Refunding. A refunding that occurs more than ninety (90) days in advance of the first optional redemption date. All covenants and restrictions of the refunded bond indenture are extinguished through an Advance Refunding. Under current IRS regulations, tax-exempt bonds issued after December 31, 1985 are permitted only one Advance Refunding.
Agency. A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government (i.e. Government National Mortgage Association). Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee (i.e. Federal National Mortgage Association).
Aggregate Amount. The total dollar amount of an agreement.
Amortization. The accounting process by which an actuarial gain (credit) or loss (debit/payment) is recognized (absorbed) by a pension plan over a defined number of years. The "cost" of amortizing an actuarial gain or loss is determined by the amortization schedule (e.g., the number of years (term) and discount rate).
Amortization Base. The individual amortized gains and losses of a pension plan, each of which has its own distinct schedule. The sum of all amortization bases (credits and debits) comprises the UAL of the pension plan..
Amortization Schedule. The number of years (term) and annual amount of credit or debit (payment)for an amortization base. The annual amount of credit or debit (payment) is a function of the term and the discount rate.
Annual Prepayment. A lump sum annual payment to the UAL made at the beginning of each fiscal year. CalPERS provides a ~3,0% discount for making an annual prepayment in July compared to monthly payments.
Appropriation. A legal authorization to incur obligations and to make expenditures for specific purposes.
Arbitrage. Generally, tax-exempt bond issues are subject to arbitrage rebate requirements, which require that any profit or "arbitrage" be "rebated" to the Federal government in the amount of the excess of the amount earned on investments purchased with gross proceeds of the bonds over the amount which would have been earned if such investments were invested at a rate equal to the yield on the bonds. A rebate computation and payment, if applicable, is generally required to be made every five (5) years and upon final redemption or maturity of the bonds. Failure to comply with these requirements could lead to substantial late filing penalties and interest and/or the loss of tax-exempt status for the bonds.
Asked Price. The price at which securities are offered for sale, also known as offering price.
Assessed Valuation. The valuation set upon real estate and certain personal property by the Assessor as a basis for levying property taxes.

Assets. Employer and member (employee) contributions, and the accumulated earnings from the investment of these contributions, pledged to pay the retirement benefits of retired employees.
Assumed Rate of Return. see “Discount Rate” below.
Authority. The express right to perform certain acts governing the conduct of others or committing the City to a course of action.
Authorized Positions. Employee positions, which are authorized in the adopted budget, to be filled during the year.
Available (Undesignated) Fund Balance. This refers to the funds remaining from the prior year that are available for appropriation and expenditure in the current year.
Benchmark. A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investments.
Best And Final Offer (BAFO). The term used to describe a basic approach to negotiations in which the agency asks one or more of the prospective contractors to submit a revision to their proposal that will not be subject to further negotiations. In some cases, the agency may provide a revised scope of work or other contract changes that should be considered when the contractor (or contractors) prepares their BAFOs.
Best Practice. A business process, activity, or operation that is considered outstanding, innovative or the bench mark as recognized by a peer group.
Best Value. A result intended in the acquisition of all goods and services that provides the greatest overall benefit to the City. Price must be one of the evaluation criteria when acquiring goods and services. Other evaluation criteria may include, but are not limited to environmental considerations, quality, cost of consumables, cost for maintenance or service and supplier performance.
Bid Bond. A written guaranty from a third-party guarantor (usually a bank or an insurance company) submitted with a bid to a principal (client or customer) by a contractor (bidder). A bid bond ensures that, on acceptance of a bid by the customer, the contractor will proceed with the contract and will replace the bid bond with a performance bond.
Bid Center. The City’s externally hosted, web based application used to post, process, track and report solicitations. Also used for vendor registration and management.
Bid Evaluation. 1.) The process of determining the bid(s) or quote(s) with the best value to the City. 2.) The form for tabulating bid responses and preferences.
Bid Closing. The deadline to submit a bid. Bids received after the deadline are late, deemed non-responsive, and returned unopened to the bidder.
Bid Opening. The stage in a bidding process where the received ebids are opened and examined by the City.
Bid Price. The price offered by a buyer of securities. (When are selling securities, a bid is requested.)
Bid Protest. 1.) A formal complaint that is made against the methods employed or decisions made by the City in the administration of a process leading to the potential award of a contract. 2.) The process to resolve such a complaint.

Blanket Purchase Order.

1) A purchase order with a maximum dollar amount for purchasing an indefinite quantity of small dollar goods where price has not been defined by a contract and are typically for $5,000 or less.

2) A purchase order with a maximum dollar amount for purchasing an indefinite quantity of goods where the price has been determined through a market basket bid and contract.

Blanket Purchase Orders shall be closed at the end of the fiscal year.

Bond Counsel. A law firm retained by the bond issuer to give a legal opinion that the bond issuer is authorized to issue the proposed securities, the bond issuer has met all legal requirements necessary for issuance, and interest on the proposed securities will be exempt from Federal income taxation, and where applicable from State and local taxation. Usually, Bond Counsel will prepare authorizing resolutions and ordinances, trust indentures, and other bond documents with the exception of the Official Statement.

Bond Insurance. An insurance policy which guarantees the timely payment of principal and interest, of either an entire bond issue, or on one or more specified maturities. In exchange for payment of the Bond Insurance premium, a higher Credit Rating is assigned to the insured bonds, and a lower cost of funds is attained. With a Competitive Sale, generally the bidding dealer bears the cost of insurance to the benefit of the firm’s bid. The bond issuer pays the cost of Bond Insurance from bond proceeds with a Negotiated Sale.

Bond Proceeds. The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

Bond Refinancing. The payoff and re-issuance of bonds, to obtain better interest rates and/or bond conditions.

Bonds. A form of borrowing (debt financing) which reflects a written promise from the City to repay a sum of money on a specific date at a specified interest rate.

Book Value. The value at which a debt security is shown on the holder's balance sheet. Book value is often acquisition cost plus/minus amortization and accretion, which may differ significantly from the security’s current value in the market.

Broker. Someone who brings buyers and sellers together and is compensated for his/her service.

Budget Calendar. The schedule of key dates that a government follows in the preparation and adoption of the budget.

Budget. A plan of financial activity for a specified period of time indicating all planned revenues and expenses for the budget period.

Budgetary Basis. This refers to the basis of accounting used to estimate financing sources and uses in the budget. This generally takes one of three forms: GAAP, cash, or modified accrual.

Budgetary Control. The control or management of a government in accordance with the adopted budget for the purpose of keeping expenditures within the limitations of available appropriations and resources.

California Debt and Investment Advisory Commission (CDIAC). A State commission established to provide oversight with respect to public debt and investment activities. It serves as the State's clearinghouse for information on public debt issuance and local investment practices. CDIAC also provides policy guidance on debt and investment matters.

California Public Contract Code. A series of State of California laws governing acquisitions and contracting by state agencies and political subdivisions. Sections 20160 – 20174 apply to general law cities.

California Public Records Act. A series of State of California laws designed to guarantee that the public has access to public records from governmental bodies like the City of Pomona. Statutes 6250-6270 define the law.

California Public Employees Retirement System (CalPERS). The retirement system (and health insurance provider) for the majority of state, school, and public agency employers in California. CalPERS manages the largest public pension fund in the United States with nearly $450 billion in assets.

Call Provisions. The terms of the bond giving the issuer the right to redeem all or a portion of a bond prior to its stated date of maturity at a specific price, usually at or above par.

Capital Assets. Capital assets include land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, intangible assets (such as computer software), and works of art and historical treasures.

Capital Budget. The appropriation of bonds or operating revenue for improvements to facilities, and other infrastructure.

Capital Improvements Program (CIP). A plan for capital outlay to be incurred each year over a fixed number of years to meet capital needs arising from the government's long-term needs.

Capital Improvements. Expenditures related to the acquisition, expansion or rehabilitation of an element of the government's physical plant; sometimes referred to as infrastructure.

Capital Outlay. Fixed assets which have a value of $500 or more and have a useful economic lifetime of more than one year; or, assets of any value if the nature of the item is such that it must be controlled for custody purposes as a fixed asset.

Capital Project Fund. Capital project funds are a type of governmental funds used to account for financial resources used for the acquisition or construction of major capital facilities, which are not financed by proprietary (enterprise) funds.

Capital Project. Major construction, acquisition, or renovation activities which add value to a government's physical assets or significantly increase their useful life. Also called capital improvements.

Capital Reserve. An account used to segregate a portion of the government's equity to be used for future capital program expenditures. The amount of capital reserve is roughly equal to the government's annual equipment depreciation and an amount identified as being needed for future capital acquisition.

Capitalization. Capitalization of an asset occurs when the cost of the asset meets the "threshold" and the "estimated useful life" set in the organizational guidelines. Under capitalization, the cost of an item is initially recorded as an asset rather than an expense.

Capitalized Interest. Capitalized Interest is a portion of the proceeds of an issue which is set aside to pay interest on the bonds for a specified period of time. Interest is commonly capitalized during the construction period of a revenue-producing project or a project financed with the proceeds of lease revenue bonds whereby the facility securing the lease payments must be available for use and occupancy before lease payments may commence.

Cash Basis. A basis of accounting in which transactions are recognized only when cash is increased or decreased.

Certificate of Deposit (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

Certificate of Participation. A debt issue similar to issuing bonds, but less restrictive.

Change Order. A type of modification to a contract that is normally used to authorize a change in the scope of work required to become effective sooner than would be possible with the more formal contract amendment. Change Orders in state and local government contracting are normally limited to construction contracts, and can normally be approved, within certain price parameters, at a lower organizational level than the original contract.

Charges for Services. Those charges levied to individuals or organizations for the use or consumption of services provided by the City.

Collateral. Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper. Short-term (1 to 270 days) promissory notes usually issued to provide for interim financing of projects through the construction period and backed by a Letter or Line of Credit from a commercial bank. Following the completion of the projects, principal and interest due on Commercial Paper is often redeemed through the issuance of long-term refunding bonds.

Commercial Paper. The short-term unsecured debt of corporations.

Competitive Bidding. The process of soliciting bids and awarding a contract to the lowest responsive and responsible bidder. Typically applies to an invitation for bid (IFB) or request for bid (RFB).

Competitive Bidding Process (Financing). The sale of a new issue of bonds by an issuer through a bidding process where Underwriters are awarded the bonds on the basis of offering the lowest cost of Debt Management Policy funds for the issuer, usually measured on a True Interest Cost basis. The bid parameters for the public sale are established in the notice of sale or notice inviting bids.

Contract. Any binding document, regardless of what it is called, between two or more parties, consisting of an offer, an acceptance of an offer and valid consideration. Any reference to a "contract" shall be deemed to include all documents attached to or incorporated in the contract. The City has specific rules (City Code; Administrative Policies; Procedures) depending upon types of contracts such as those for goods, services and public projects.

Other City contract types include, but are not limited to:

- Application/Software License Agreement
- Co-operative Agreements
- Development Agreement
- Employment Contract
- Grant Application/Receipt
- Individual Participation Agreement
- Inter-Agency Agreement
- Memorandum of Understanding (MOU)
- Real Property
- Agreement/Easement/Grand Deed
- Sewer Credit Agreement

Contract Amendment. A revision or extension of a contract that is fully executed by the contractor and the City. This term replaces “Contract Supplement.”

Consumer Price Index (CPI). A statistical description of price levels provided by the U.S. Department of Labor. The index is used as a measure of the increase in the cost of living (i.e., economic inflation).

Contingency. A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Continuing Disclosure Certificate. A commitment entered into by the County for the benefit of the Underwriters and holders of certain bonds pursuant to SEC Rule 15(c)2-12 to provide continuing disclosure of specific County information.

Cost Allocation Plan. A document that identifies, accumulates, and distributes allowable direct and indirect costs to cost objectives. The plan also identifies, accumulates, and distributes allowable direct and indirect costs to cost objectives and identifies the allocation methods used for distribution to cost objectives, on the basis of relative benefits received.

Coupon. The rate of return at which interest is paid on a bond.

Covered Entities. City of Pomona, Pomona Financing Authority, Successor Agency to the Former Pomona Redevelopment Agency, Pomona Housing Authority.

Credit Quality. The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by a Nationally Recognized Statistical-Rating Organization.

Credit Ratings. Evaluations of the credit quality of bonds made by independent ratings services such as Moody’s Investors Service, Standard & Poor’s Ratings Services, and Fitch Ratings. Credit Ratings are intended to measure the probability of timely repayment of principal and interest on municipal securities. Credit Ratings are assigned before issuance of the bonds, and are periodically reviewed by the rating services, or may be amended to reflect changes in the issuer’s credit position. Bonds with investment grade ratings are assigned Credit Ratings between Baa3/BBB- and Aaa/AAA.

Credit Risk. The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return). A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Custodian. A bank or other financial institution that keeps custody of stock certificates and other assets.

Dealer. A dealer, as opposed to a broker, acts as a principal in all transactions, by buying and selling for his/her own account.

Debt Service Fund. Debt services funds are a type of governmental funds used to account for the accumulation of resources for, and the payment of, the City's general long-term debt obligations, including principal, interest, and related expenses.

Debt Service. The sum of principal and interest due on outstanding debt, including any required contributions to a sinking fund for term bonds. Debt Service may be computed on a bond year, fiscal year, or calendar year basis.

Deficit. The excess of an entity's liabilities over its assets or the excess of expenditures or expenses over revenues during a single accounting period.

Defined Benefit (DB) Plan. A "traditional" retirement plan designed to provide eligible members with a specified lifetime benefit (pension) upon retirement. A member's benefit is based on the following three factors: (1) a percentage rate based on the member's age at retirement and benefit formula applicable to the member, (2) the member's length of credited service, and (3) the member's final compensation. Defined benefit plans also typically provide disability and death benefits. Defined benefit plans are funded by member contributions, employer contributions, and income earned from the investment of accumulated contributions.

Defined Contribution (DC) Plan. A retirement plan that provides an individual retirement investment account for each participant (such as a 401k plan). A participant's benefits are based on the following two factors: (1) the actual amount contributed by the participant, as well as any employer contributions made on the participant's behalf, plus (2) any income, expenses, gains/losses, and forfeitures that may be allocated to the participant's account. The account value can increase or decrease due to investment variations and performance of chosen investment vehicles. The lump-sum value of the account is available to the participant upon retirement for annual withdrawals, but total withdrawals cannot exceed the account balance.

Delivery versus Payment. There are two methods of delivery of securities. delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Department. The basic organizational unit of government which is functionally unique in its delivery of services.

Depreciation. Depreciation is the process of allocating the cost of property over a period of time, rather than recognizing the cost as an expense in the year of acquisition. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal the original cost less salvage value.

Derivative. Short for "Derivative investment," a contract whose value is based on the performance of an underlying financial asset, index, or other investment. Generally, Derivatives are risk mitigation tools. Examples include structures with Option-like or Swap-like features.

Derivatives. (1) financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Development Fees. Those fees and charges generated by building, development and growth in a community. Included are building and street permits, development review fees, and zoning, platting and subdivision fees.

Disbursement. The expenditure of moneys from an account.

Discount. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without any additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

Discount Rate. An estimate of the annual rate of return (earnings) generated from investment of a pension plan's assets. The discount rate is approved by the governing body of the retirement system and has a significant impact on the actuarial valuation of the plan, the amortization of gains and losses, and the overall funding status of the plan. A discount rate is also used by actuaries to determine investment earnings on assets set aside in irrevocable pension trusts.

Diversification. Dividing investment funds among a variety of security types by sector, maturity and quality ratings offering independent returns.

Dollar Cost Averaging. An investment strategy by which an investor invests a lump sum over a defined period (periodic investments)to reduce the impact of market timing risk.

Donated Capital Asset. Donated assets are those assets contributed to the City of Pomona.
The donated assets are treated like a capital asset (using the fair market value).

Duration. A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables. term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Economies of Scale. A reduction in selling price because of an increase in the quantity ordered; the aggregation of quantities to obtain certain economic advantages.

Electronic Funds Transfer. The direct payment to contractors and businesses through electronic transfer of funds between financial institutions. Payment by paper check is eliminated.

Employee (or Fringe) Benefits. Contributions made by a government to meet commitments or obligations for employee fringe benefits. Included is the government's share of costs for various pensions, medical and life insurance plans, etc.

Encumbrance. The commitment of appropriated funds to purchase an item or service. To encumber funds means to set aside or commit funds for a specified future expenditure.

Enterprise Fund. Enterprise funds are a type of proprietary funds used to account for City operations financed and operated in a manner similar to private business enterprises. The costs of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges. The City currently has three enterprise operations and funds: Water Fund, Sewer Fund, and Refuse Fund.

Escalation Clause. A contract provision, which permits the adjustment of contract, prices by an amount or percentage if certain specified contingencies occur, such as changes in the supplier's raw material costs or labor costs.

Enterprise Fund. Used to account for City operations that are financed and operated in a manner similar to private business enterprises. The objective of segregating activities of this type is to identify the costs of providing the services, and to finance them through user charges.

Estimated Useful Life. Estimated useful life means the estimated number of months or years that an asset will able to be used for the purpose for which it was purchased. In determining useful life, consideration is given to the asset's present condition, use of the asset, construction type, maintenance policy, and how long it is expected to meet service demands.

Ethics. A principle of right or good conduct or a body of such principles; a system of moral principles or values; a code of conduct. Prohibits breach of the public trust to realize personal gain by a City employee through conduct inconsistent with the proper discharge of the employee's duties.

Evaluation Criteria (or Selection Criteria). The factors considered for evaluation to select the successful contractor from submitted proposals. Evaluation criteria should be described in the solicitation to permit the prospective contractors to understand the basis for selecting the successful contractor. When evaluating proposals, it is essential to base the selection solely on the evaluation criteria stated in the solicitation.

Evaluation of Responses. The examination of quotes, bids, Request For Qualifications or Request For Proposals after opening to determine each respondent's responsibility and each solicitation's responsiveness to requirements and other aspects of the solicitation to determine the successful respondent.

Expenditure. The payment of cash on the transfer of property or services for the purpose of acquiring an asset, service, or settling a loss.

Expense. Charges incurred (whether paid immediately or unpaid) for operations, maintenance, interest, or other charges.

Fair Market Value. The amount that would be paid if the item were sold currently in a transaction between a willing buyer and a willing seller.

Fair Value. The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Credit Agencies. Agencies of the Federal Government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small-business firms, students, farmers, farm co-operatives, and exporters.

Federal Deposit Insurance Corporation (FDIC). A federal agency that insures bank deposits currently up to $250,000 per deposit.

Federal Home Loan Banks (FHLB). Government sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banks services to member commercial banks, thrift institutions, credit unions and insurance companies.

Federal National Mortgage Association (FNMA). FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages.

Federal Open Market Committee (FOMC). Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System. The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve Regional Banks and about 5,700 commercial banks that are members of the system.

Financial Advisor. A consultant who advises the bond issuer on matters such as bond structure, timing, marketing, pricing, documentation, and Credit Ratings. The consultant may also provide non-bond related advice relating to capital planning and investment management. Financial Advisors must be registered as an independent registered municipal advisor ("IRMA") with the SEC.

Financial Industry Regulatory Authority (FINRA). A self-regulatory organization (SRO) responsible for governing business between brokers, dealers and the investing public.

Fiscal Policy. A government's policies with respect to revenues, spending, and debt management as these relate to government services, programs, and capital investment. Fiscal policy provides an agreed upon set of principles for the planning and programming of government budgets and their funding.

Fiscal Year. A twelve-month period designated as the operating year for accounting and budgeting purposes in an organization. The City of Pomona's fiscal year is July 1 through June 30.

Fixed Assets. Assets that are intended to continue to be held or used long-term, such as land, buildings, machinery, furniture, and other equipment. Fixed assets are also called capital assets.

Fixed-Rate Debt. A borrowing wherein interest is established at a fixed rate of interest for the life of the obligation.

Free On Board (FOB). A designation of which party, the Supplier or the City, pays for freight, bears the cost of the freight, files for damages in transit, and when title to the goods is passed from the seller to the City.

Fresh Start. An adjustment made to an amortization payment schedule (liability) that can stabilize contribution requirements, usually through consolidation of amortization bases. A fresh start can be done independently of, or in conjunction with, an ADP.

Full-time Equivalent Position (FTE). A part-time position converted to the decimal equivalent of a full-time position based on 2080 hours per year. For example, a part-time fiscal clerk working 20 hours per week would be the equivalent to .5 of a full-time position.

Function. A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety).

Fund Balance. The term fund balance is used to describe the resources that accumulate in governmental funds excluding long-term assets and liabilities. Fund Balance is similar to net working capital used for proprietary funds.

Fund Balance Classifications. There are limitations on the purpose for which all or a portion of resources in a governmental fund may be used. The force behind these limitations can vary significantly, depending upon their source. Consequently, the fund balance reported in the annual financial statements is segregated into five classifications, each of which identifies the extent of constraints on use of the funds. The five classifications of the fund balance are:

- Non-spendable. Funds that cannot be spent because they are either: (a) not in a spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (b) legally or contractually required to be maintained intact, such as the principal portion of an endowment. Examples of non-spendable funds include a reserve for prepaid assets. This reserve represents resources that have been paid to another entity in advance of the accounting period in which the resource is deducted from fund balance. A common example is an insurance premium, which is typically payable in advance of the coverage period.
- Restricted. Funds that have constraints placed on use that are either: (a) externally imposed by creditor (such as through debt covenants), grantors, contributors, or laws or regulations of other governments: or (b) imposed by law through constitutional provisions or enabling legislation. Examples of restricted funds include a pension trust or unused grant funds.
- Committed. Funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the city council and remain binding unless removed in the same manner. Examples of committed funds included city reserves created for economic contingencies, cash flow requirements or catastrophic events.
- Assigned: Funds that are constrained by the city's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent needs to be established either by the city council or by an authorized city official. Examples of assigned funds include unspent funds from prior fiscal years designated for certain programs, services or functions (e.g., authorized encumbrances or carryovers).
- Unassigned: Any amount in the fund balance that has not been classified as non-spendable, restricted, committed or assigned. The general fund is the only fund that reports this classification of fund balance. For all other governmental funds, any amounts in excess of what those classified as non-spendable, restricted, or committed are classified as assigned (constrained to the purposes of the governmental fund).

Fund. A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

Funded Status or Funding Ratio. The extent to which a pension plan's liabilities are "funded" by the assets. The funding percentage is the ratio of the actuarial value of assets to the actuarial value of liabilities.

GAAP. Generally Accepted Accounting Principles. Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles.

General Fund. The general fund is the general operating fund of the City. The general fund is a type of governmental fund used to account for all the general revenue of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City. The general fund is the largest operating fund in the City.

General Obligation (G.O.) Bond. This type of bond is backed by the full faith, credit, and taxing power of the government.

Goal. A statement of broad direction, purpose or intent based on the needs of the community. A goal is general and timeless.

Government Accounting Standards Board (GASB). A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Government Finance Officers Association (GFOA). An organization founded in 1906 that represents public finance officials throughout the United States and Canada. The organization's more than 20,000 members are federal, state/provincial, and local finance officials deeply involved in planning, financing, and implementing thousands of governmental operations in each of their jurisdictions. GFOA's mission is to advance excellence in public finance.

Government National Mortgage Association (GNMA or Ginnie Mae). Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHA mortgages. The term "pass- throughs" is often used to describe Ginnie Maes.

Government Securities. An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the

Governmental Accounting Standards Board (GASB) – The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.

Governmental Fund. Governmental funds have a short- term or current flow of financial resources, measurement focus and basis of accounting and therefore, exclude long-term assets and long-term liabilities. Governmental funds include the general fund, special revenue funds, capital project funds and debt service funds.

GPO. Group Purchasing Organization; an entity that is created to leverage the purchasing power of a group of governmental agencies to obtain discounts from suppliers based on the collective buying power of the GPO members. Most GPOs are funded by administrative fees that are paid by the suppliers that the GPO oversees.

Grants. A contribution by a government or other organization to support a particular function. Grants may be classified as either operational or capital, depending upon the grantee.

Historical Cost. The historical cost of a capital asset includes the cost or estimated cost at the time of acquisition, freight charges, installation and site preparation charges, and the cost of any subsequent additions or improvements, excluding repairs.

Housing Funds. Housing Funds are a type of governmental fund used to account for Low/Mod Housing assets, Section 8, and Continuum of Care programs. Disbursements from these funds are made in accordance with fiscal agreements or the applicable legislative requirements for each fund.

Indemnity/Indemnification. Indemnification provisions typically require one or both parties to a contract to accept responsibility for loss or damage to a person or entity, and to compensate the other party for losses or expense incurred that arise due to the other party's negligence or willful misconduct.

Independent Registered Municipal Advisor (IRMA). A person (who is not a municipal entity or an employee of a municipal entity) that provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues; or undertakes a solicitation of a municipal entity or an obligated person.

Indirect Cost. A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to one service.

Informal Bid. An Invitation for Bids for goods or services where the total expenditure is anticipated to be $25,000 or greater but less than $100,000. Informal bids must be submitted in a sealed envelope. Informal bids can be received and opened by the department. Advertising in the City's Bid Center is required; advertising in the City's official newspaper is not required. Contrast with "Formal Bid."

Infrastructure Assets. Infrastructure assets are long-lived capital assets that normally can be preserved for a significant greater number of years than most capital assets (noninfrastructure assets). Infrastructure assets are normally stationary in nature and are of value only to the government entity. Examples include the [GOVERNMENT NAME drain system].

Infrastructure. The physical assets of a government (e.g., streets, water, sewer, public buildings, and parks).

Interest Rate Risk. The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Intergovernmental Revenue. Funds received from federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes.

Insurance. Insurance provisions typically describe the types of insurance coverage and limits of liability for insurance policies that must be maintained by the contractor during the entire term of the contract. Typical types of required insurance coverage are general liability, automobile coverage, and workers' compensation. Professional liability coverage is also required if the contractor is expected to provide professional services such as legal, engineering, architectural, accounting, or the services of similarly trained professionals.

Intangible Goods. Items for sale that do not have a physical nature, such as music downloads or software licenses. Because these goods do not have a physical nature, they are usually not subject to sales tax. Contrast with "Tangible Goods."

Internal Controls. An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points.

- **Control of Collusion** – Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
- **Separation of transaction authority from accounting and record keeping** – By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
- **Custodial safekeeping** – Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
- **Avoidance of physical delivery securities** – Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
- **Clear delegation of authority to subordinate staff members –** Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
- **Written confirmation of transactions for investments and wire transfers** – Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
- **Development of a wire transfer agreement with the lead bank and third-party custodian** – The designated official should ensure that an agreement will be entered into and will address the following points. controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Internal Service Charges. The charges to user departments for internal services provided by another government agency, such as equipment maintenance and replacement charges, or insurance funded from a central pool.

Internal Service Fund. Internal service funds are a type of proprietary fund used to centrally manage and account for specific program activity in a centralized cost center. Budgeted expenses for the program activities in an internal service fund are generally offset by charges allocated to various departments, programs, and activities across the City. Internal service funds have several functions:

- They work well in normalizing departmental budgeting for programs that have life-cycles greater than one year; thereby facilitating level budgeting for expenditures that will, by their nature, be erratic from year to year. This also facilitates easier identification of long-term trends.
- They act as a strategic savings plan for long-term assets and liabilities.
- From an analytical standpoint, they enable appropriate distribution of city-wide costs to individual departments, thereby more readily establishing true costs of various operations.

Since departmental charges to the internal service fund duplicate the ultimate expenditure from the internal service fund, they are eliminated when consolidating entity-wide totals. The measurement criteria, cash flow patterns, funding horizon and acceptable funding levels are unique to each program being funded.

Invitation for Bids (IFB). A written notice issued to potential bidders that includes bid specifications and specifies, among other things, the procedures for bid submittal and place, date and time of bid opening. A solicitation normally used to solicit bids for goods, equipment, supplies, services, capital equipment or construction work estimated to cost $25,000 or more. IFBs are normally not used to solicit bids for services, but there are exceptions, such as for janitorial services. They are opened publicly and result in award of a contract to the responsive, responsible bidder with the lowest price. Refer to "Solicitation Terminology" for relationships to other types of solicitations. This term was changed in 2018: see "Request For Bids".

Invoice. A list of goods or services sent to the City showing information including prices, quantities and shipping charges for payment.

ISO. See "International Organization for Standardization".

IT. Information Technology.

Job Order Contracting (JOC). Based on a competitively solicited indefinite delivery / indefinite quantity contract between the City and a construction or maintenance contractor. The contract sets parameters such as the type(s) of work to be performed, location(s) of the work, design criteria and maximum amount of work to be awarded. The contract also has a unit-price book that establishes a unit price to be paid for each of a multitude of line items.

Lapsing Appropriation. An appropriation made for a certain period of time, generally for the budget year. At the end of the specified period any unexpected or unencumbered balance lapses or ends, unless otherwise provided by law.

L**ease with Option to Purchase (Lease-Purchase Agreement).** Agreement under which the City has the right to purchase the leased item, either at the end of the lease term or within a specified period, from the lessor.

Lease Revenue Bonds. Instead of issuing long-term debt, like general obligation bonds do, to finance improvements on a public facility, the municipality may enter into an arrangement that uses lease revenue bonds. Often a trust, not the municipality, issues bonds and generates revenues to pay the bonds back by leasing the facility to the municipality. The municipality will generally appropriate money during each budget session to meet the lease payment.

Leveraged Refunding. A pension funding strategy that requires the structuring of a refunding opportunity to maximize "upfront" savings. The savings are then used to prepay a portion of the UAL. Savings from prepaying the UAL is typically 1.5x to 2.5x greater than the bond savings.

Levy. To impose taxes for the support of government activities.

Liabilities. The obligations of a pension plan to pay amounts of money, either immediately or in the future, for the pension benefits earned by plan members. Liabilities whose payment is dependent on unpredictable future events (such as the death of a member) are called "contingent liabilities."

Line of Credit. A commitment usually made by a commercial bank to provide liquidity support for issues of notes, Commercial Paper, or bonds if the issuer is unable to pay Debt Service. The timely payment of Debt Service is not guaranteed, and the agreement between the bank and the issuer of the debt may be terminated in the event of a payment default by the bond issuer, or under other certain specified events. Debt issued with a Line of Credit is assigned the short-term Credit Rating of the Line of Credit provider.

Line-item Budget – A budget prepared along departmental lines that focuses on what is to be bought.

Liquidated Damages. A specific sum of money, agreed to as part of a contract to be paid by one party to the other in the event of a breach of contract in lieu of actual damages, unless otherwise provided by law.

Liquidity. A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Agency Investment Fund (LAIF). Chapter 730, Statutes of 1976 of the State of California, established the Local Agency Investment Fund. This fund enables local governmental agencies to remit money not required for immediate needs to the State City Treasurer for the purpose of investment. In order to derive the maximum rate of return possible, the State City Treasurer has elected to invest these monies with State monies as a part of the Pooled Money Investment Account. Each local governmental unit has the exclusive determination of the length of time its money will be on deposit with the State City Treasurer. At the end of each calendar quarter, all earnings derived from investments are distributed by the State Controller to the participating government agencies in proportion to each agency's respective amounts deposited in the Fund and the length of time such amounts remained therein. Prior to the distribution, the State's costs of administering the program are deducted from the earnings.

Local Business Enterprise (LBE). A City program to provide enhanced business opportunities to individuals and firms based upon geographic criteria. The LBE provides for a 5% preference on

City procurement opportunities under $100,000. There is a 5% minimum participation requirement for Service and Public Project contracts $100,000 or more.

Long-term Assets. Long-term assets are assets that will benefit the City for more than one year. Also known as non-current assets, long-term assets can include fixed assets such as the City's property, plant, and equipment, but can also include other assets such as long-term investments.

Long-term Debt – Debt with a maturity of more than one year after the date of issuance.

Long-term Liabilities. Long-term liabilities are financial obligations of a City that are due more than one year in the future.

Lowest Responsible Bidder. The bidder with the lowest price whose past performance, reputation and financial capability is deemed acceptable.

Lowest Responsive Bid. A properly-submitted bid response that offers the most advantageous pricing or cost benefit and that meets all the requirements stated in the bid documents.

Master Contract. A contract for on-call work for a specified term with a general scope of work.

Maintenance and Operations – Expendable materials and operating supplies necessary to conduct departmental operations.

Make Whole Call. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

Market Risk. The risk that the value of a security will raise or decline as a result of changes in market conditions.

Market Value or Valuation. The price that would be received to sell an asset or liability in an orderly transaction between market participants at the measurement date (sometimes referred to as fair value).

Market Value. The current price at which a security is trading and could presumably be purchased or sold at that particular point in time.

Market-to-Market. The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Master Repurchase Agreement. A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity. The date upon which the principal or stated value of a financial obligation is due and payable.

Modified Accrual Basis – The basis of accounting in which revenues are recognized when they become both "measurable" and "available" to finance expenditures or the current period. All governmental and fiduciary fund types are accounted for using the modified accrual basis of accounting.

Modified Approach. The Modified Approach is the election not to depreciate infrastructure assets that are part of a network that meet two specific requirements. The government entity manages the eligible infrastructure assets using an asset management system that has certain specified characteristics. To meet this requirement the asset management system should. Have an up-to-date inventory of eligible infrastructure assets within the network for which the modified approach is adopted. Perform or obtain condition assessments (physical assessment) on infrastructure assets and summarize the results using a measurement scale. The condition assessment must be performed at least once every three years. The condition assessments must be replicable (conducted using methods that would allow different measurers to reach substantially similar results). Each year, the government entity must estimate the amount needed to maintain and preserve infrastructure assets at a condition level established and disclosed by the government entity. The government entity documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by that government entity. If any of the above conditions are not met, reporting must revert back to the depreciation method.

Money Market Mutual Fund. Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Money Market. The market in which short term debt instruments (T-bills, discount notes, commercial paper and banker's acceptances) are issued and traded.

Monitoring. A contract administration tool, whereby certain procedures are developed to assure that the City is being delivered the contracted services according to the terms and specifications of the contract.

Municipal Securities Rulemaking Board (MSRB). An independent self-regulatory organization established by the Securities Acts Amendments of 1975, which is charged with primary rulemaking authority over Broker-Dealers and brokers in municipal securities. Its members represent three categories—securities firms, bank dealers, and the public—each category having equal representation on the MSRB.

Mutual Fund. An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by Securities and Exchange Commission (SEC) disclosure guidelines.

M/WBE. Minority/Women Business Enterprise, a requirement in certain grant-funded projects that the prime contractor notifies or employs minority or women-owned businesses as subcontractors.

Nationally Recognized Statistical Rating Organization (NRSRO). Standard and Poor's, Moody's, and Fitch Financial Services are examples of such organizations.

Negotiation. Requests for Proposals are often used as a starting point for negotiations to establish a contract. RFPs generally include more than just price considerations.

Negotiated Sale. The sale of a new issue of bonds whereby the issuer selects the Underwriters in advance and negotiates the terms of the bonds, including coupons, interest rates, redemption provisions, and the Gross Spread, at the time of sale.

Net Budget – The legally adopted budget less all interfund transfers and interdepartmental charges.

Net Price. Price after all discounts, rebates, etc., have been allowed.

Net Working Capital. Similar to the term fund balance used for governmental funds, net working capital is used for proprietary funds to describe the resources that accumulate in proprietary funds excluding long-term assets and liabilities.

Non-Responsible Bidder. A response to a bid from a bidder who has been determined not to have the ability or capacity to fully perform the requirements of the bid or contract. A business entity or individual who does not possess the integrity or reliability to assure contractual performance. This determination can only be made upon approval of the Office of the City Attorney.

Normal Costs. The cost of pension benefits earned during the current fiscal year by current employees. Normal costs are determined by an actuary as a percentage of the employer's payroll.

Object of Expenditure – An expenditure classification, referring to the lowest and most detailed level of classification, such as electricity, office supplies, asphalt, etc.

Obligations – Amounts which a government may be legally required to meet out of its resources. They include not only actual liabilities, but also encumbrances not yet paid.

Offer. An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Official Statement. A document published by the bond issuer, and often prepared by Disclosure Counsel, which discloses material information on a new bond issue, including the purpose of the issue, source of repayment, bond covenants, as well as financial, economic, demographic, and legal characteristics of the bond issuer. The Official Statement is used by investors to determine Debt Management Policy the credit quality of the bond issue. An Official Statement is deemed preliminary prior to the determination of the interest rates on the bond issue, but is final in all other respects at the time it is circulated in its preliminary form prior to the sale of the bonds.

OMB or "Office of Management and Budget." The business division of the Executive Office of the President of the United States that administers the United States federal budget and oversees the performance of federal and other governmental agencies.

One-time Expenses. Expense that does not recur and is typically outside the City's normal operation.

One-time Revenues. Revenue that does not recur and is typically outside the City's normal operation.

On-going Expenses. Out-of-pocket organizational and related fees and expenses for maintaining the existence and necessary operation of the City incurred in the ordinary course of business.

Ongoing Revenues. Recurring organizational revenue sources used for maintaining the existence and necessary operation of the City (examples: property and sales taxes).

Open Purchase Order. 1.) Generally, a purchase order that has not been closed or completed.
2.) Specifically, a purchase order that has not yet been approved and dispatched.

Operating Expenses – The cost for personnel, materials, and equipment required for a department to function.

Operating Revenue – Funds that the government receives as income to pay for on-going operations. It includes such items as taxes, fees from specific services, interest earnings, and grant revenues. Operating revenues are used to pay for day-to-day services.

Option to Extend (or Renew) a Contract. In accordance with contract terms, an option that allows a continuation of the contract for an additional period. Requires a fully executed Contract Supplement.

Other Post-Employment Benefits (OPEB). Other post-employment benefits (OPEB), principally involve retiree health care benefits, but also may include life insurance, disability, legal and other services.

Partial Payment. The payment authorized in a contract upon delivery of one or more units called for under the contract or upon completion of one or more distinct items of service called for thereunder.

Partial Shipment/Delivery. A delivery made against a purchase order or contract, which is less than the quantity ordered. It may be indicative of a back-order situation, or a temporary material shortage.

Par Value. The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

Pension Obligation Bonds (POBs). Taxable bonds used to refinance the UAL. POBs refinance UAL amortization payments that bear interest at the discount rate.

Performance Budget – A budget wherein expenditures are based primarily upon measurable performance of activities and work programs.

"Piggybackable" Contract. If mutually agreeable to both parties, a contract whose use may be extended to other government agencies. Generally, a larger entity will competitively award a contract that will include language allowing other agencies to utilize the contract, which may be to their advantage in terms of pricing. The agencies gain economies of scale and the contractor gains additional markets.

Pre-Bid / Pre-Proposal Conference (meeting). A conference that is held by the City after a bid or RFP has been posted but several days before the submission deadline. Prospective respondents may meet to discuss the solicitation requirements. Pre-bid or Pre-Proposal conferences may be either optional (recommended) or mandatory.

Portfolio. Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Premium. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

Prevailing Wage. The rate of wages, including fringe benefits, paid to a majority of the workers in a geographic area for the same type of work on similar projects. Refer to State of California Labor Code section 1770-1784 and City Code Chapter 3.60.18.

Prequalification of Suppliers (Bidders or Proposers). The screening of potential suppliers in which such factors as financial capability, reputation and management are considered when developing a list of qualified suppliers.

Primary Dealer. A group of government securities dealers who submit daily reports of market activity and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker/dealers, banks and a few unregulated firms.

Principal. (1) The face amount or par value of a debt instrument. (2) One who acts as a dealer buying and selling for his own account. The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prior-Year Encumbrances – Obligations from previous fiscal years in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation, and for which a part of the appropriation is reserved. They cease to be encumbrances when the obligations are paid or otherwise terminated.

Private Placement. A sale in which the bonds are sold directly to institutional or private investors, rather than through a public offering. Issuers often require investors purchasing privately placed bonds to agree to restrictions as to resale through the use of a signed agreement. This is the same as a direct placement or a direct purchase. Private Placements may also involve the direct sale of a bond or other obligation to a commercial bank.

Procurement Card (P-Card). A payment method whereby City staff is empowered to deal directly with suppliers for purchases using a credit card issued by a bank. A pre-established credit limit is established for each card issued with a limit per transaction and a limit per billing cycle.

Procurement Contract. Not a contract per se, but the module in PeopleSoft that can track financial and other data related to a Transactional Contract including items and expiration dates. Contrast with "Ad Hoc Contract" and "Transactional Contract"

Procurement Procedures. Written methods, developed by City staff and approved by the City Manager, that specify detailed operational requirements for City procurement that are consistent with applicable provisions of the City Charter, City Code and Administrative Policy Instructions (APIs).

Procurement Services. 1.) The combined functions of preparing or reviewing solicitations, purchasing, contracting, and salvage and disposal operations. 2.) A division of the Finance Department principally charged with Procurement activities.

Professional Services.

A service of a professional character of any type, description, or variety including, but not limited to, services rendered by:

- Actuaries
- Archaeologists
- Architects
- Attorneys
- Auditors
- Budget Analysts
- Construction Project Managers
- Doctors
- Economic Analysts

- Engineers
- Environmental Analysts
- Historic and Cultural Resource Consultants
- Information Technology Providers
- Investment Advisors
- Land Surveyors
- Landscape Architects
- Lobbyists
- Planners
- Scientists (Biologists, Chemists, etc.)
- Telephone/Telecommunication Systems
- Title Companies
- Transportation Analysts
- Veterinarians

Professional Services often required "E&O" (Errors and Omissions) insurance. Contrast with "Non-Professional Services."

Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible.

Program Budget – A budget that allocates money to the functions or activities of a government rather than to specific items of cost or to specific departments.

Program Performance Budget – A method of budgeting whereby the services provided to the residents are broken down in identifiable service programs or performance units. A unit can be a department, a division, or a workgroup. Each program has an identifiable service or output and objectives to effectively provide the service. The effectiveness and efficiency of providing the service by the program is measured by performance indicators.

Program Revenue (Income). Revenues earned by a program, including fees for services, license and permit fees, and fines.

Proprietary Fund. Proprietary funds are used to account for government activities in which a government entity or unit sells goods or services to a person, business or other government entity/unit. In essence, proprietary funds are used when governments perform non-governmental activities that are more similar to private business activities. There are two basic types of proprietary funds for local governments: enterprise funds and internal service funds. The basis of accounting for proprietary funds is very similar to that used in private sector with some exceptions. For example, instead of retained earnings, the term net assets is used to describe the difference between fund assets and fund liabilities. See also "Net Working Capital."

Protest. The term used to describe a challenge to the solicitation, procedure for selecting a contractor, recommendation to award a contract, or actual contract award. An unsuccessful contractor (or contractors) generally initiate protests. Bid may be protested, but there is no process for protesting an award through an RFP.

Prudent Person Rule. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

Public Bid Opening. The process of opening and reading bid results at the time and place specified in the solicitation and in the presence of any member of the public who wishes to attend.

Public Works (Public Projects). Construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds. Refer to State of California Labor Code section 1720-1743 and State of California Public Contract Code sections 22000-22003.

Purchase Order. A written authorization for a contractor to supply goods or services at a specified price and over a specified period. Acceptance of the purchase order constitutes a binding contract. If there is a pre-existing contract, the purchase order merely serves as the payment vehicle and the method used to encumber funds for payment.

Purpose. A broad statement of the goals, in terms of meeting public service needs, that a department is organized to meet.

PWC-100 Form. A State of California Department of Industrial Relations form used by the City to inform the DIR of a public works project award as required by Labor Code sec. 1773.3 and 8 Cal. Code Reg. sec. 16451(a).

Quote. An informal procurement process, which solicits pricing information from a minimum of three sources but is not advertised on the City's Bid Center website or through the Official Daily Newspaper. A solicitation under $25,000. Refer to "Solicitation Terminology" for relationships to other types of solicitations.

Rate of Return. The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Realized Yield. The change in value of the portfolio due to interest received, interest earned, realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

Recycling Savings. The concept of taking cash flow savings realized from the implementation of pension funding strategies, such as ADPs, POBs, tax-exempt exchanges and leveraged refundings, to make additional discretionary payments (ADPs) toward the UAL.

Reinvestment Risk. The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (RP OR REPO). A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the buyer for this. Dealers use RP extensively to finance their positions. Exception. When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

Request for Quotes or Request for Quotations (RFQ). An informal solicitation normally used to solicit quotes for low-dollar-value merchandise that is easily described. RFQs are normally not used to solicit quotations for services.

Req. Diminutive form of "Requisition."

Request for Bid. A written notice issued to potential bidders that includes bid specifications and specifies, among other things, the procedures for bid submittal and place, date and time of bid opening. A solicitation normally used to solicit bids for goods, equipment, supplies, services, capital equipment or construction work estimated to cost $25,000 or more. RFBs are normally not used to solicit bids for services, but there are exceptions, such as for janitorial services. They are opened publicly and result in award of a contract to the responsive, responsible bidder with the lowest price. Refer to "Solicitation Terminology" for relationships to other types of solicitations. This term supersedes "Invitation for Bids."

Request for Information (RFI). A non-binding solicitation method whereby the City publishes a notice to interested parties for a possible upcoming solicitation. A procurement practice used to obtain comments, feedback or reactions from potential contractors prior to the issuing of a solicitation. Price or cost is not required. Refer to "Solicitation Terminology" for relationships to other types of solicitations.

Request for Proposals (RFP). The type of solicitation normally used to solicit proposals for professional services where cost is not the ultimate criteria for contract award. RFPs typically Reserve. An account used either to set aside budgeted revenues that are not required for expenditure in the current budget year or to earmark revenues for a specific future purpose.

Request for Qualifications (RFQual). A solicitation to obtain statements of the qualifications or ability of potential contractors to perform categorized services during a specific time period. Used to develop a list of on-call contractors or to develop a short list of potential proposers for a future RFP. Abbreviated as "RFQual" by to avoid confusion with an RFQ (Request for Quotes). Refer to "Solicitation Terminology" for relationships to other types of solicitations.

Requisition. A request entered into the financial software system by a division; it contains details of materials needs or service requirements referencing the authorization to make the purchase. The requisition is automatically assigned a requisition number by the software system. It is routed for approval, and then electronically submitted to procurement services for review and expediting to create a purchase order. It is an internal document.

Resolution. A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute.

Resources. Total amounts available for appropriation including estimated revenues, fund transfers, and beginning balances.

Revenue Bond. A bond that is backed only by the revenues from a specific enterprise or project, such as a hospital or toll road.

Revenue. Sources of income financing the operations of government.

Reverse Repurchase Agreement. An agreement of one party (for example, a financial institution) to purchase securities at a specified price from a second party (such as a public agency) and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specific date.

RISK. Degree of uncertainty of return on an asset.

Rule 2A-7 of the Investment Company Act. Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping Service. A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vault for protection and security.

Salvage Value. The salvage value of an asset is the value it is expected to have when it is no longer useful for its intended purpose. In other words, the salvage value is the estimated amount for which the asset could be sold at the end of its useful life.

Scope of Work. The section of the solicitation or contract document that describes in detail the work to be performed by the contractor. It may be broken into specific tasks with deadlines. Contrast with “Statement of Work.”

Sealed Bid or Sealed Response. A bid or proposal submitted in an envelope or container closed in such a manner as to prevent the contents of being revealed or known before the deadline for submission of responses.

SEC Rule 15(c)2-12. A regulation of the SEC which requires Underwriters participating in primary offerings of municipal securities of $1,000,000 or more (i) to obtain, review, and distribute to investors copies of the issuer’s Disclosure documents; (ii) to obtain and review a copy of an Official Statement deemed final by an issuer of the securities, except for the omission of specified information; (iii) to make available upon request, in non-competitively bid offerings, the most recent preliminary Official Statement, if any; (iv) to contract with an issuer of the securities, or its agent, to receive, within specified time periods, sufficient copies of the issuer’s final Official Statement, both to comply with this rule, and any rules of the MSRB; and (v) to provide, for a specified period of time, copies of final Official Statements to any potential customer upon request. The rule contains exemptions for Underwriters participating in certain offerings of municipal securities issued in large denominations that are sold to no more than thirty-five (35) sophisticated investors, have short-term maturities, or have short-term tender or put features. SEC Rule 15(c)2-12 also requires that Underwriters participating in a bond offering obtain from the issuer a written Continuing Disclosure Agreement to provide continuing disclosure with respect to those bonds.

Secondary Market. A market is made for the purchase and sale of outstanding issues following the initial distribution.

Secured Property Tax. A tax levied on both real and personal property according to the property’s valuation and the tax rate.

Securities and Exchange Commission (SEC). The Federal agency responsible for supervising and regulating the securities industry. In general, municipal securities are exempt from the SEC’s registration and reporting requirements. Brokers and dealers in municipal securities, as well as independent registered municipal advisors, however, are subject to SEC regulation and oversight.

The SEC also has responsibility for the approval of MSRB rules, and has jurisdiction, pursuant to SEC Rule 10b-5, over fraud in the sale of municipal securities.

Securities Lending. An agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

Services. Either non-professional or professional tasks performed by a contractor. The UCC does not apply to purchase of services.

Service Indicators. Specific quantitative and qualitative measures of work performed as an objective of specific departments or programs.

Short Term. Less than one (1) years' time.

Sole Source. A situation created due to the lack of competition in the marketplace. May result because only one supplier possesses the unique ability or capability to meet the requirements of the solicitation. May result because of territorial restraints on dealerships as determined by the manufacturer. May result because of standardization by the City. Requires submission of a signed Non-Competitive Bid/Contract Justification with the requisition.

Solicitation. The process of requesting or offering a good or service or public project (Quote, IFB, RFB, RFP, RFQ, etc.). Solicitation can also include requests and negotiations for transactions between the City and other entities that do not go through the standard bid process such as labor, real estate, establishing/releasing authority, memorandums of understanding, etc.

Specification. A concise statement of a set of requirements to be satisfied by a product, material or process that indicates whenever appropriate the procedures to determine whether the requirements are satisfied. As far as practicable, it is desirable that the requirements are expressed numerically in terms of appropriate units, together with their limits. A specification may be a standard, a part of a standard, or independent of a standard.

Source of Revenue. Revenues are classified according to their source or point of origin.

Special Revenue Fund. Special revenue funds are a type of governmental funds used to account for revenues derived from specific sources, which are required by law or administrative regulation to be accounted for in separate funds.

Spread. The difference between coupon rate and U.S. Treasury Obligations Interest benchmark

Straight-Line Method. The straight-line method is the simplest and most commonly used for calculating depreciation. It can be used for any depreciable property. Under the straight-line method, the basis of the asset is written off evenly over the useful life of the asset. The same amount of depreciation is taken each year. In general, the amount of annual depreciation is determined by dividing an asset's depreciable cost by its estimated life.

Statement. A detailed listing from the supplier of transactions taking place over a stated period and usually concluding with the open or unpaid balance.

Statement of Work. The response from the potential contractor outlining very specifically how the supplier proposes to complete the work as outlined by the City in the Scope of Work.

Statement of Qualifications. Responses to Request for Qualifications from prospective contractors. It describes the contractor's qualifications to perform the services to be provided. A statement of qualifications does not normally include pricing.

Structured Notes. Notes issued by Government Sponsored Enterprises, (FHLB, FNMA, FHLMC, etc.), and Corporations that have imbedded options, (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns), into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Supplemental Appropriation. An additional appropriation made by the governing body after the budget year has started.

Surplus. See definition of "Unassigned Fund Balance" for governmental funds and "Net Working Capital" for proprietary funds.

Swap. Trading one asset for another.

Tax Levy. The resultant product when the tax rate per one hundred dollars is multiplied by the tax base.

Taxes. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit of the people. This term does not include specific charges made against particular persons or property for current or permanent benefit, such as special assessments.

Tax-Exempt Exchange. A pension funding strategy that finances pay-as-you-go capital projects with tax-exempt bonds. The budget for the capital project is used to pre-pay the UAL and scheduled UAL payments are used to pay debt service on the tax-exempt bonds. By using scheduled UAL payments to pay debt service on tax-exempt bonds, savings are created from the "interest cost differential" between the bond rate and the discount rate.

Termination for Cause. Right of a contractor and of the City to completely or partially terminate performance of the contract under the provisions of a termination clause.

Termination for Convenience. Standard clause in contracts which gives the City the right to unilaterally terminate the contract at any time with or without giving any reason. The contractor is generally entitled to a negotiated settlement for an equitable recovery of costs and losses incurred. See also "Termination for Default."

Termination for Default. Standard contract clause which gives the City the right to unilaterally terminate the contract if the contractor fails to perform according to the specified terms. The contractor is generally not entitled to any payment for the unfinished part of the contract and, instead, may be liable for (1) repayment of monies advanced, (2) liquidated and other damages, and (3) excess cost incurred by the customer in completing the contract under a new contractor. See also "Termination for Convenience."

Terms and Conditions. Provisions that describe the rights and responsibilities of all parties to the contract.

Terms of Payment. The method of payment stipulated in the contract.

Vendor. 1.) Specifically, a supplier who maintains vending machines. 2.) Generally, a firm or individual who sells something; a "seller." The term is considered archaic and is being replaced by “supplier.”

Threshold. The threshold is the dollar amount that an asset must equal or exceed if that asset is to be capitalized. Otherwise, the item would be considered as an expense at the time of acquisition.

Total Rate of Return. A measure of a portfolio’s performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earning, realized and unrealized gains, and losses in the portfolio.

Transfers In/Out. Amounts transferred from one fund to finance the services for the recipient fund.

Transient Occupancy Tax. A tax paid to the City for short-term lodging/residency within the City limits. Short-term is defined as 30 days or less.

Treasury Bills. Short-term U.S. government non-interest bearing discounted debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Bond. A long-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of more than 10 years and issued in minimum denominations of $1,000.

Treasury Note. A medium-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of from one to ten years and issued in denominations ranging from $1,000 to $1 million or more.

Trustee. A third-party banking institution which administers the funds specified in the trust indenture or agreement and implements the remedies provided in case of default. The Trustee acts on behalf of the bondholders based on the specific requirements in each trust indenture. The Trustee may also refer to a trustee bank acting in the capacity of escrow agent with respect to refunding bonds or issuing and/or paying agent with respect to Commercial Paper or Variable Rate Debt.

U.S. Securities Market. See "Treasury Bills, Notes, and Bonds."

U.S. Treasury Obligations. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Underwriter. A dealer which purchases a new issue of bonds for resale either by negotiation with the issuer or by award on the basis of a competitive bid.

Unencumbered Balance. The amount of an appropriation that is neither expended nor encumbered. It is essentially the amount of money still available for future purposes.

Unfunded Actuarial Liability (UAL). The funding shortfall in a pension plan, as determined by the difference between the actuarial value of assets and the actuarial value of liabilities.

Uniform Commercial Code (UCC). A comprehensive modernization of various statutes relating to commercial transactions, including sales, lease, negotiable instruments, bank deposits and collections, funds transfers, letters of credit, bulk sales, documents of title, investment securities and secured transactions. The UCC determines rights and obligations on the basis of fairness and reasonableness in the light of accepted business practice.

- The most important part of the UCC for the City is Article 2 entitled "Sale of Goods." Absent a specific state or federal statute or City administrative regulation, Article 2 will govern the contract for the sale of goods.
- The UCC does not apply to the purchase of services and is not applicable to Federal Government contracting.
- First published in 1952, the UCC was formulated by the National Conference of Commissioners on Uniform State Laws (NCCUSL) and the American Bar Institute. It was extensively revised over a fifteen-year period concluding in 2003.

Uniform Capital Rule. Securities and Exchange Commission (SEC) Rule 15C3-1 outlining requirements that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Unreserved Fund Balance. The portion of a fund's balance that is not restricted for a specific purpose and is available for general appropriation.

Unsecured Property Tax. The property tax on unsecured property such as business inventory or moveable equipment.

User Charges. The payment of a fee for direct receipt of a public service by the party who benefits from the service.

Variable-Rate Debt. A borrowing wherein interest changes at intervals according to an index or formula, or is periodically (e.g., daily, weekly, or monthly) reset at the market clearing rate. This is also known as floating rate debt.

Volatility. A degree of fluctuation in the price and valuation of securities.

Women-Owned Business Enterprise. A business solely owned by a woman or a business where women own at least 51% of the stock.

Working Capital. Excess of readily available assets over current liabilities. Or cash on hand equivalents which may be used to satisfy cash flow needs.

Yield. The current rate of return on an investment security generally expressed as a percentage of the security's current price. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.