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# KENNEDALE CITY COUNCIL AGENDA

## REGULAR MEETING | JUNE 18, 2018
## CITY HALL COUNCIL CHAMBERS, 405 MUNICIPAL DRIVE
## WORK SESSION AT 5:30 PM | REGULAR SESSION AT 7:00 PM

### I. CALL TO ORDER

***NOTE: Pursuant to §551.071, Texas Government Code, City Council reserves the right to adjourn into Executive Session at any time during the Work Session or the Regular Session to discuss posted Executive Session items or to seek legal advice from the City Attorney on any item posted on the agenda.***

### II. WORK SESSION

A. Interview representatives of the two firms that submitted proposals to provide Professional Auditing Services

B. Presentation of the background, current status, and future plans for the New Hope Road Project

C. Review and discuss applications of potential candidates for the 2018-19 Youth Advisory Council (YAC)

D. Discuss potential appointments to Charter Study Committee

E. Discussion of items on Regular Session

### III. REGULAR SESSION

### IV. ROLL CALL

### V. INVOCATION

### VI. UNITED STATES PLEDGE AND TEXAS PLEDGE

*"Honor the Texas Flag; I Pledge Allegiance to Thee, Texas, One State under God; One and Indivisible."*

### VII. VISITOR/CITIZENS FORUM

*At this time, any person with business before the City Council not scheduled on the agenda may address the Council, provided that an official 'Speaker's Request Form' has been completed and submitted to the City Secretary prior to the start of the meeting. All comments must be directed towards the Mayor and Council, rather than individual Councilmembers or staff. All speakers must limit their comments to the subject matter as listed on the 'Speaker's Request Form.' No formal action or discussion can be taken on these items.*

### VIII. REPORTS/ANNOUNCEMENTS

*In addition to specific matters listed below, City Council may receive reports about items of community interest, including but not limited to recognition of individual officials, citizens, or departments, information regarding holiday schedules, and upcoming or attended events.*

A. Updates from the Mayor
- Recognition of 2017-2018 YAC members

B. Updates from the City Council

C. Updates from the City Manager

### IX. MONITORING INFORMATION

A. Monthly Financials – May 2018

B. Monthly EDC Financials and Activity Report

## X. INCIDENTAL ITEMS

## XI. REQUIRED APPROVAL ITEMS (CONSENT)

All matters listed under Required Approval Items (Consent) have been previously discussed, require little or no deliberation, or are considered to be routine by the City Council. If discussion is desired, an item can be removed from the Consent Agenda and considered separately.

A. Consider approval of minutes from May 15, 2018 special meeting

B. Consider approval of minutes from May 21, 2018 regular meeting

C. Consider approval of minutes from May 30, 2018 special meeting

D. Consider Approval of Amendment 2 to the Engineering Contract with Freese and Nichols for the TxDOT New Hope Road Bridge Replacement Project

E. Consider approval of the engineering contract with Freese and Nichols for the local match projects related to the New Hope Road Bridge TxDOT Bridge Replacement Project

F. Consider approval of Resolution 525, authorizing the Mayor to sign the Advanced Funding Agreement (AFA) for the New Hope Road Bridge Replacement Project with TXDOT

G. Consider Resolution 527 adopting an amended City of Kennedale Financial Management Policy

H. Consider Resolution 528 adopting an amended City of Kennedale Fraud Policy

I. Consider Resolution 529 adopting an amended City of Kennedale Fund Balance Policy

J. Consider Resolution 530 adopting an amended City of Kennedale Grant Submission & Acceptance Policy

K. Consider Resolution 531 adopting an amended City of Kennedale Identity Theft Prevention Program Policy

L. Consider Resolution 532 adopting an amended City of Kennedale Internal Controls & Cash Handling Policy

M. Consider Resolution 533 adopting an amended City of Kennedale Investment Policy

N. Consider Resolution 534 adopting an amended City of Kennedale Procurement Card Program Policy

O. Consider Resolution 535 adopting an amended City of Kennedale Purchasing Policy

P. Consider Resolution 536 adopting an amended City of Kennedale Unclaimed Property Policy

## XII. DECISION ITEMS

A. Consider appointment of a Mayor Pro Tem

B. Appoint members to the 2018-2019 Youth Advisory Council (YAC)

C. Consider approval of Resolution 526 authorizing publication of notice of intention to issue certificates of obligation

## XIII. EXECUTIVE SESSION

*The City Council may meet in Closed Session at any time during the Work Session or the Regular Session, pursuant to Section 551.071 of the Texas Government Code for consultation with the City Attorney pertaining to any* *matter in which the duty of the City Attorney under the Texas Disciplinary Rules of Professional Conduct may conflict with the Open Meetings Act, including discussion on any item posted on the agenda and legal issues regarding the Open Meetings Act.*

A. Briefing on Arlington Water Contract

## XIV. RECONVENE INTO OPEN SESSION, AND TAKE ACTION NECESSARY PURSUANT TO EXECUTIVE SESSION, IF NEEDED

## XV. ADJOURNMENT

*IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, THE CITY OF KENNEDALE WILL PROVIDE FOR REASONABLE ACCOMMODATIONS FOR PERSONS ATTENDING CITY COUNCIL MEETINGS. THIS BUILDING IS WHEELCHAIR ACCESSIBLE, AND PARKING SPACES FOR DISABLED CITIZENS ARE AVAILABLE. REQUESTS FOR SIGN INTERPRETER SERVICES MUST BE MADE FORTY-EIGHT (48) HOURS PRIOR TO THE MEETINGS. PLEASE CONTACT THE CITY SECRETARY AT 817.985.2104 OR (TDD) 1.800.735.2989.*

## CERTIFICATION

*I DO HEREBY CERTIFY THAT A COPY OF THE JUNE 18, 2018 AGENDA WAS POSTED ON THE BULLETIN BOARD NEXT TO THE MAIN ENTRANCE OF CITY HALL (405 MUNICIPAL DRIVE; KENNEDALE, TX 76060), IN A PLACE CONVENIENT AND READILY ACCESSIBLE TO THE GENERAL PUBLIC AT ALL TIMES; AND THAT SAID AGENDA WAS POSTED AT LEAST SEVENTY-TWO (72) HOURS PRECEDING THE SCHEDULED TIME OF SAID MEETING, IN ACCORDANCE WITH CHAPTER 551 OF THE TEXAS GOVERNMENT CODE.*

Leslie Galloway

LESLIE GALLOWAY, CITY SECRETARY

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** WORK SESSION - A.

**I. Subject:**
Interview representatives of the two firms that submitted proposals to provide Professional Auditing Services

**II. Originated by:**

**III. Summary:**
BKD and PB&H will be providing an overview of their services followed by questions from the Council.

As you may be aware, the contract with our current audit firm expired. Because of this, we began the request for qualifications process in March. We received bids from two firms at the deadline on Monday, June 4th. During the June 18th meeting, both firms will have a chance to present themselves to Council in the work session, and Council will have the opportunity to interview the firms. We will not be selecting the winning firm until the July 16th meeting.

The contract will cover the next 3 years, with options for two more annual renewals. We have attached the initial request for qualifications, the separate (partially confidential) proposals, and an initial comparison of the two firms.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | Audit RFP Comparison | Audit RFP Comparison.pdf |
| 2. | BKD Proposal (cost) | BKD, LLP Proposal for City of Kennedale COST.pdf |
| 3. | BKD Proposal (technical) | BKD, LLP Proposal for City of Kennedale Technical Copy.pdf |
| 4. | PB&H Proposal (cost) | Kennedale Cost Proposal.pdf |
| 5. | PB&H Proposal (technical) | Kennedale Proposal.pdf |
| 6. | RFQ 18-003: Professional Auditing Services | 18-003 Professional Auditing Services City of Kennedale.pdf |

**VENDOR NAME**

______________

# REQUEST FOR QUALIFICATIONS

# PROFESSIONAL AUDITING SERVICES

KENNEDALE
Finance Department

## RFQ 18-003
## DUE DATE: June 4, 2018
## BY 2:00 P.M. Central Time

**CITY OF KENNEDALE**
**405 MUNICIPAL DR**
**KENNEDALE, TX 76060**
**817.985.2110**
**WWW.CITYOFKENNEDALE.COM**

# Table of Contents



*This Table of Contents is intended as an aid to vendors and not as a comprehensive listing of the proposal package. Vendors are responsible for reading the entire proposal package and complying with all specifications.*

## PRE-PROPOSAL CONFERENCE

**All vendors are encouraged to attend the scheduled Pre-Proposal Conference in order to get a clear understanding of the requirements of this RFQ (Attendance is not Required):**

| | |
|---|---|
| DATE: | Wednesday, April 11, 2018 |
| TIME: | 10:00 A. M. |
| LOCATION: | CITY OF KENNEDALE<br>COUNCIL CHAMBERS<br>405 MUNICIPAL DR<br>KENNEDALE, TX 76060 |

The City of Kennedale is soliciting Proposal(s) (RFQ's) from qualified firms of certified public accountants to audit its financial statements beginning with the fiscal year ending Sept 30, 2018. The initial term of this agreement will be three (3) years. Upon completion of the initial contract term and mutual written agreement of both parties, the contract may be renewed for up to two (2) additional one (1) year terms to be awarded one (1) year at a time. It is the intent of the City of Kennedale to select a single firm to accomplish all the services outlined in this Request for Qualifications.

DOCUMENTS MAY BE DELIVERED TO:

Finance: Attn: 18-003 PROFESSIONAL AUDITING SERVICES

CITY OF KENNEDALE
405 MUNICIPAL DR
KENNEDALE, TX 76060

If delivering a bid packet please include ***One (1) hard copy and One (1) soft copy on Flash drive.*** Submit documents in a sealed envelope with the following information marked plainly on the front:

**ATTN: FINANCE**
**18-003 PROFESSIONAL AUDITING SERVICES**

No oral explanation in regard to the meaning of the specifications will be made, and no oral instructions will be given after the pre-bid meeting and before the award of the contract. Requests from interested vendors for additional information or interpretation of the information included in the specifications should be directed in writing as a question related to this bid to Brady Olsen at bolsen@cityofkennedale.com. The response to questions will be sent to all interested vendors.

**The deadline for receipt of written questions shall be 12:00 (Noon), Central Time, MONDAY, APRIL 23rd, 2018.**

The City wishes to receive competitive pricing on all goods or services purchased. Therefore, City policy is to reschedule the bid opening if a minimum of three (3) bids are not received.

The City of Kennedale reserves the right to reject in part or in whole all bids submitted, and to waive any technicalities for the best interest of the City of Kennedale.

## INVITATION TO BID

The City of Kennedale is accepting sealed bids from all interested parties for:

- Bid Number: 18-003
- Bid Type: REQUEST FOR QUALIFICATIONS
- Bid Name: PROFESSIONAL AUDIT SERVICES
- Bid Due Date: Monday, June 11, 2018
- Bid Due Time: 2:00 P.M. Central Time

- Deadline for questions:
  Date: Monday, April 23, 2018
  Time: 12:00 P.M.Central Time

DOCUMENTS MAY BE DELIVERED TO:

CITY OF KENNEDALE
405 MUNICIPAL DR
KENNEDALE, TX 76060

If delivering a bid packet please include ***One (1) hard copy and One (1) soft copy on Flash drive.*** Submit documents in a sealed envelope with the following information marked plainly on the front:

**ATTN: FINANCE**
**18-003 PROFESSIONAL AUDIT SERVICES**

No oral explanation in regard to the meaning of the specifications will be made, and no oral instructions will be given after the pre-bid meeting and before the award of the contract. Requests from interested vendors for additional information or interpretation of the information included in the specifications should be directed in writing as a question related to this bid to Brady Olsen at bolsen@cityofkennedale.com. The response to questions will be sent to all interested vendors.

The City of Kennedale reserves the right to reject in part or in whole all bids submitted, and to waive any technicalities for the best interest of the City of Kennedale.

**GENERAL CONDITIONS**

In submitting this bid, the Bidder understands and agrees to be bound by the following terms and conditions. These terms and conditions shall become a part of the purchase order or contract and will consist of the invitation to bid, specifications, the responsive bid and the contract with attachments, together with any additional documents identified in the contract and any written change orders approved and signed by a city official with authority to do so. All shall have equal weight and be deemed a part of the entire contract. If there is a conflict between contract documents, the provision more favorable to the City shall prevail.

**1. BID TIME**

It shall be the responsibility of each Bidder to ensure his/her bid is turned in to the City of Kennedale on or before **2:00 P.M..Monday, June 11, 2018**. The official time shall be determined by the clock located in the Kennedale City Hall lobby. Bids received after the time stated above will be considered ineligible and returned unopened.

All attached bid documents are to be returned completely filled out, totaled, and signed. Envelopes containing bids must be ***sealed***. The City of Kennedale will not accept any bid documents other than the attached.

**2. WITHDRAWING BIDS/PROPOSALS/QUOTES**

Bids may be withdrawn at any time prior to the official opening; request for non-consideration of bids must be made in writing to the Finance Director and received prior to the time set for opening bids. The bidder warrants and guarantees that his/her bid has been carefully reviewed and checked and that it is in all things true and accurate and free of mistakes. Bidder agrees that a bid price may not be withdrawn or canceled by the bidder for a period of ninety (90) days following the date designated for the receipt of bids.

**3. IRREGULAR BIDS/PROPOSALS/QUOTES**

Bids will be considered irregular if they show any omissions, alterations of form, additions, or conditions not called for, unauthorized alternate bids, or irregularities of any kind. However, the City of Kennedale reserves the right to waive any irregularities and to make the award in the best interest of the City.

**4. REJECTION/DISQUALIFICATION**

Bidders will be disqualified and/or their bids rejected, among other reasons, for any of the specific reasons listed below:

a) Bid received after the time set for receiving bids as stated in the advertisement;
b) Reason for believing collusion exists among the Bidders;
c) Bid containing unbalanced value of any item; bid offering used or reconditioned equipment;
d) Where the bidder, sub-contractor or supplier is in litigation with the City of Kennedale or where such litigation is contemplated or imminent;

e) Uncompleted work which in the judgment of the City will prevent or hinder the prompt completion of additional work, or having defaulted on a previous contract;

f) Lack of competency as revealed by reference checks, financial statement, experience and equipment, questionnaires, or qualification statement;
g) Bid containing special conditions, clauses, alterations, items not called for or irregularities of any kind, which in the Owner's opinion may disqualify the Bidder.

However, the City of Kennedale reserves the right to waive any irregularities and to make the award in the best interest of the City of Kennedale.

## 5. BID EVALUATION

Award of bid, if it be awarded, will be made to the lowest responsible bidder or may be awarded to the bidder that offers the goods and/or services at the *best value* for the City (Texas Local Government Code, 252.043). In determining the best value the City will consider the following:

a) The purchase price; terms and discounts; delivery schedule;
b) The reputation of the bidder and of the bidder's goods or services;
c) The quality of the bidders' goods or services;
d) The extent to which the bidder's goods or services meet the City specifications and needs;
e) The bidder's past relationship with the City;
f) Total long term cost to the city to acquire the bidder's goods or services;
g) Any relevant criteria specifically listed in the specifications;
h) Compliance with all State and local laws, general conditions and Specifications;
i) Results of testing, if required;
j) Warranty and/or guarantee, maintenance requirements and performance data of the product requested;
k) City's evaluation of the bidder's ability to perform to specifications.

## 6. AWARD OF BID

The bid award will be made within sixty (60) days after the opening of bids. No award will be made until after investigations are made as to the responsibilities of the best bidder.

The City of Kennedale reserves the right to award bids whole or in part when deemed to be in the best interest of the City. Bidder shall state on bid form if their bid is "all or none", otherwise it shall be considered as agreeing to this section.

Information contained in submitted bid documents shall not be available for inspection until after the award has been made by the City Council. Requests for this information must be submitted in writing.

7. **ASSIGNMENT**

The successful bidder may not assign his/her rights and duties under an award without the written consent of the Kennedale City Manager. Such consent shall not relieve the assignor of liability in the event of default by his assignee.

8. **SUBSTITUTIONS/EXCEPTIONS**

Exceptions/variations from the specifications may be acceptable provided such variations, in each instance, is noted and fully explained in writing and submitted with bid. NO substitutions or changes in the specifications shall be permitted after award of bid without prior written approval by the Finance Director.

9. **DELIVERY/ACCEPTANCE**

The delivery date is an important factor of this bid and shall be considered during the evaluation process. The City considers delivery time the period elapsing from the time the order is placed until the City receives the order at the specified delivery location.

All material shall be delivered F.O.B. City of Kennedale to the address specified at the time of order. Acceptance by the City of Kennedale of any delivery shall not relieve the Contractor of any guarantee or warranty, expressed or implied, nor shall it be considered an acceptance of material not in accordance with the specifications thereby waiving the City of Kennedale right to request replacement of defective material or material not meeting specifications.

10. **NOTICE OF DELAYS**

Whenever the contractor encounters any difficulty which is delaying or threatens to delay timely performance, written notice shall immediately be given to the Finance Director, stating all relevant information. Such notice shall not in any way be construed as a waiver by the City of any rights or remedies to which it is entitled by law. Delays in performance and/or completion may result in cancellation of agreement.

11. **SALES TAX**

The City of Kennedale is exempt from Federal Excise and State sales tax; therefore tax must not be added to bid.

12. **TIE BIDS**

In the event of a tie bid, State Law provides the bid or contract shall be awarded to the local bidder. In cases where a local bidder is not involved, tie bids shall be awarded by drawing lots at the City Council meeting, or as otherwise directed by the Mayor.

13. **BRAND NAME OR EQUAL**

If items are identified by a "brand name" description, such identification is intended to be descriptive, not restrictive, and is to indicate the quality and characteristics of products that will be satisfactory. As used in this clause, the term "brand name" includes identification of products by make and model.

Such products must be clearly identified in the bid as an equal product and published specifications of the equal products offered must be included with the bid reply.

Bids offering equal products will be considered for award if determined by the Finance Director and the user department to be equal in all material respects to the brand name products referenced. The decision of acceptable “equal" items or variations in the specifications will solely be the City of Kennedale. Unless the bidder clearly indicates in his/her bid that he is offering an "equal" product, his bid shall be considered as offering the brand name product referenced in the invitation for bids.

**14. REFERENCES**

A minimum of three (3) references, preferably located within the Dallas/Fort Worth Metroplex, must be submitted with each bid. Company name, contact and phone number must be included with each reference.

**15. PROHIBITION AGAINST PERSONAL FINANCIAL INTEREST IN CONTRACTS**

No employee of the City of Kennedale shall have a direct or indirect financial interest in any proposed or existing contract, purchase, work, sale or service to or by the City (CMA-074, Standards of Conduct, Section IV).

**16. TERMINATION/NON PERFORMANCE**

Continuing non-performance of the vendor in terms of Specifications shall be a basis for the termination of the contract by the City. The City of Kennedale reserves the right to enforce the performance of this contract in any manner prescribed by law or deemed to be in the best interest of the City in the event of breach or default of this contract. The City reserves the right to terminate the contract immediately in the event the successful bidder fails to 1.) Meet delivery schedules or, 2.) Otherwise not perform in accordance with these specifications.

Breach of contract or default authorizes the City to award to another bidder, and/or purchase elsewhere and charge the full increase in cost and handling to the defaulting successful bidder.

The contract may be terminated by either party upon written thirty (30) days’ notice prior to cancellation without cause.

**17. ATTORNEYS FEES**

Neither party to this contract shall be entitled to attorney fees for any matter arising under this contract, whether for additional work, breach of contract, or other claim for goods, services, or compensation. All claims for attorney’s fees are hereby WAIVED.

**18. INDEMNITY**

**City shall not be liable or responsible for, and shall be saved and held harmless by Contractor from and against any and all suits, actions, losses, damages, claims, or liability of any character, type, or description, including claims for copyright and patent infringement, and including all expenses of**

**litigation, court costs, and attorney's fees for injury or death to any person, or injury to any property, received or sustained by any person or persons or property, arising out of, or occasioned by, directly or indirectly, the performance of Contractor under this agreement, including claims and damages arising in part from the negligence of City, without; however, waiving any governmental immunity available to the CITY under Texas law and without waiving any defenses of the parties under Texas law. The provisions of this indemnification are solely for the benefit of the parties hereto and not intended to create or grant any rights, contractual or otherwise, to any other person or entity.**

**It is the expressed intent of the parties to this Agreement that the indemnity provided for in this section is an indemnity extended by Contractor to indemnify and protect City from the consequences of City's own negligence, provided, however, that the indemnity provided for in this section shall apply only when the negligent act of City is a contributory cause of the resultant injury, death, or damage, and shall have no application when the negligent act of City is the sole cause of the resultant injury, death, or damage, unmixed with the legal fault of another person or entity. Contractor further agrees to defend, at its own expense, and on behalf of City and in the name of City, any claim or litigation brought in connection with any such injury, death, or damage.**

**The Contractor will secure and maintain Contractual Liability insurance to cover this indemnification agreement that will be primary and noncontributory as to any insurance maintained by the City for its own benefit, including self-insurance.**

## 19. PERFORMANCE AND PAYMENT BONDS

In the event the total contract amount exceeds $100,000, the Contractor shall be required to execute a performance bond in the amount of one hundred (100) percent of the total contract price; if the total contract amount exceeds $50,000 the contractor shall be required to execute a payment bond in the amount of one hundred (100) percent of the total contact price, each in standard forms for this purpose, guaranteeing faithful performance of work and guaranteeing payment to all persons supply labor and materials or furnishing any equipment in the execution of the contract. It is agreed that this contract shall not be in effect until such performance and payment bonds are furnished and approved by the City of Kennedale. No exceptions to this provision allowed.

Unless otherwise approved in writing by the City of Kennedale, the surety company underwriting the bonds shall be acceptable according to the latest list of companies holding certificates of authority from the Secretary of the Treasury of the United States.

Attorneys-in-fact who sign bid bonds or contract bonds must file with each bond a certified and current copy of their power of attorney.

## 20. INTERLOCAL AGREEMENT

Successful bidder agrees to extend prices and terms to all entities who have entered into or will enter into joint purchasing interlocal cooperation agreements with the City of Kennedale.

## 22. COMPLIANCE WITH SB 89:

Vendor agrees per HB 89 of the 85th Texas Legislative Session, and in accordance with Chapter 2270 of the Texas Government Code, vendor has not and shall not boycott Israel at any time while providing products or services to the City of Kennedale.

[ ] Yes, we agree [ ] No, we do not agree

## 23. COMPLIANCE WITH SB 252:

Vendor agrees per SB 252 of the 85th Texas Legislative Session, and in accordance with Chapter 2252 of the Texas Government Code, vendor shall not do business with Iran, Sudan or a foreign terrorist organization while providing products or services to the City of Kennedale.

[ ] Yes, we agree [ ] No, we do not agree *

* By selecting no, vendor certifies that it is affirmatively excluded from the federal sanctions regime by the United States government and is not subject to the contract prohibition under Section 2252.154 of the Texas Government Code. Vendor shall provide sufficient documentation to the City of such exclusion prior to award of any contract for goods or services.

## 24. <u>FRAUD POLICY</u>

The City's Fraud Policy can be found at The City of Kennedale
Finance webpage - Or you may request a copy from the Finance Department.

Acknowledgment - The City of Kennedale' Fraud
Policy has been made available to me. I understand the expectations of ethical behavior and compliance with the law, and agree to adhere to the City's ethics policies.

[ ] I agree

[ ] I do not agree

## 25. DEPARTMENT OF TRANSPORTATION (TXDOT) RELATED BIDS

"The City of Kennedale, in accordance with the provisions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252, 42 U.S.C. §§ 2000d to 2000d-4) and the Regulations, hereby notifies all bidders that it will affirmatively ensure that any contract entered into pursuant to this advertisement, disadvantaged business enterprises will be afforded full and fair opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, or national origin in consideration for an award."

Due care and diligence has been used in preparation of this information, and it is believed to be substantially correct. However, the responsibility for determining the full extent of the exposure and the verification of all information presented herein shall rest solely with the bidder. The City of Kennedale and its representatives will not be responsible for any errors or omissions in these specifications, nor for the failure on the part of the proposer to determine the full extent of the exposures.

## INSURANCE REQUIREMENTS

Contractors performing work on City property or public right-of-way for the City of Kennedale shall provide the City a certificate of insurance evidencing the coverages and coverage provisions identified herein. Contractors shall provide the City evidence that all subcontractors performing work on the project have the same types and amounts of coverages as required herein or that the subcontractors are included under the contractor's policy. The City, at its own discretion, may require a certified copy of the policy.

**All insurance companies and coverages must be authorized by the Texas Department of Insurance to transact business in the State of Texas and must be acceptable to the City of Kennedale**.

Listed below are the types and amounts of insurance generally required. The City reserves the right to amend the insurance requirements or require additional types and amounts of coverages or provisions depending on the nature of the work or services to be performed.

| Type of Insurance | Amount of Insurance | Provision |
|---|---|---|
| 1. Commercial General Liability to include coverage for:<br>a) Premises/Operations<br>b) Products/Completed Operations<br>c) Independent Contractors<br>d) Personal Injury<br>e) Contractual Liability<br>f) Personal/Advertising Injury<br>g) Medial Expense<br>h) Fire Legal Liability<br>i) Underground Hazard<br>j) Explosion/Collapse Hazard<br>k) Patent Infringement<br>l) Copyright Law Violations | $1,000,000 each occurrence,<br>$1,000,000 general aggregate;<br>Or<br>$1,000,000 combined single limits | City to be listed as additional insured and provided 30 day-notice of cancellation or material change in coverage<br>City prefers that insurer be rated B+V1 or higher by A. M. Best or A or higher by Standard & Poors |

| | | |
|---|---|---|
| 2. Consultants, architects, engineers, Landscape design specialist, other professional services | $500,000 Professional Liability with proof that aggregate is still available. | |
| 3. Workers' Compensation & Employers' Liability | Statutory Limits<br>$500,000 each accident | Alternate employer endorsement required |
| 4. Comprehensive Automobile Liability Insurance, including coverage for loading and unloading hazards, for<br>a) Owned/Leased Vehicles<br>b) Non-Owned Vehicles<br>c) Hired Vehicles | $500,000 Combined single limit for bodily injury and property damage | |

**A PURCHASE ORDER WILL NOT BE ISSUED WITHOUT EVIDENCE OF INSURANCE.**

## NON-COLLUSION AFFIDAVIT OF BIDDER

State of ________________________ County of _______________________

_________________________________ verifies that:
(Name)

(1) He/She is owner, partner, officer, representative, or agent of

________________________________, has submitted the attached bid: (Company Name)

(2) He/She is fully informed in respect to the preparation, contents and circumstances in regard to attached bid;

(3) Neither said bidder nor any of its officers, partners, agents or employees has in any way colluded, conspired or agreed, directly or indirectly with any other bidder, firm or person to submit a collusive or sham bid in connection with attached bid and the price or prices quoted herein are fair and proper.

________________________________
SIGNATURE

________________________________
PRINTED NAME

Subscribed and sworn to before me this

______ Day of _______________ 2017.

______________________________
NOTARY PUBLIC in and for

___________________ County, Texas.

My commission expires: ___________

**THIS FORM MUST BE COMPLETED, NOTARIZED AND SUBMITTED WITH BID**

## BID CERTIFICATION

The Undersigned, in submitting this bid, represents and certifies:

a. He/she is fully informed regarding the preparation, contents and circumstances of the attached bid;

b. He/she proposes to furnish all equipment/service at the prices quoted herein and bid is in strict accordance with the conditions and specifications stated herein;

c. There will be at no time a misunderstanding as to the intent of the specifications or conditions to be overcome or pleaded after the bids are opened;

d. He/she is an equal opportunity employer, and will not discriminate with regard to race, color, national origin, age or sex in the performance of this contract.

e. The undersigned hereby certifies that he/she has read, understands and agrees that acceptance by the City of Kennedale of the bidder's offer by issuance of a purchase order will create a binding contract. Further, he/she agrees to fully comply with documentary forms herewith made a part of this specific procurement.

COMPANY: ______________________________

ADDRESS: ______________________________

CITY, STATE & ZIP: ______________________________

TELEPHONE: ______________________________

FAX ______________________________

EMAIL: ______________________________

SIGNATURE: ______________________________

PRINTED NAME: ______________________________

DATE: ______________________________

## COMPLIANCE WITH HOUSE BILL 1295

In 2015, the Texas Legislature adopted House Bill 1295, which added section 2252.908 of the Government Code. The law states that a governmental entity may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties to the governmental entity at the time the business entity submits the signed contract to the governmental entity.

The law applies only to a contract of a governmental entity that either (1) requires an action or vote by the governing body of the entity or agency before the contract may be signed or (2) has a value of at least $1 million. The disclosure requirement applies to a contract entered into on or after January 1, 2016.

The Texas Ethics Commission has adopted rules necessary to implement the law, prescribed the disclosure of interested parties form, and posted a copy of the form on the commission's website.

**Filing Process:**
The commission has made available on its website a new filing application that must be used to file Form 1295. A business entity must:

1) Use the application to enter the required information on Form 1295,
2) Print a copy of the completed form, which will include a certification of filing that will contain a unique certification number.
3) Sign the printed copy of the form (an authorized agent of the business entity must sign),
4) Have the form notarized,
5) File the completed Form 1295 with the certification of filing with the governmental body with which the business entity is entering into the contract.

The governmental entity must notify the commission, using the commission's filing application, of the receipt of the filed Form 1295 with the certification of filing not later than the 30th day after the date the contract binds all parties to the contract. The commission will post the completed Form 1295 to its website within seven business days after receiving notice from the governmental entity.

Information regarding how to use the filing application may be found at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

## FOR DISADVANTAGED BUSINESS ENTERPRISES ONLY

**Disadvantaged Business Enterprises (DBE) are encouraged to participate in the City of Kennedale bid process. Representatives from DBE Companies should identify themselves as such and submit a copy of their Certification.**

**The City of Kennedale recognizes the certifications of both the State of Texas Building and Procurement Commission HUB Program and the North Central Texas Regional Certification Agency. All companies seeking information concerning DBE certification are urged to contact:**

**Texas Building and Procurement Commission**
**Statewide HUB Program**
**1711 San Jacinto Blvd., Austin TX 78701-1416**
**P O Box 13186, Austin, TX 78711-3186**
**(512) 463-5872**
http://www.window.state.tx.us/procurement/prog/hub/hub-certification/

**North Central Texas**
**Regional Certification Agency**
**624 Six Flags Drive, Suite 216**
**Arlington, Texas 76011**
**(817) 640-0606**
http://www.nctrca.org/certification.html

**If your company is already certified, attach a copy of your certification to this form and return as part of your packet.**

**Company Names:** ______________________________________________________

**Representative:** ______________________________________________________

**Address:** ______________________________________________________

**City, State, Zip:** ______________________________________________________

**Telephone No.** ________________________ **Fax No.** ________________________

**Email address:** ______________________________________________________

**INDICATE ALL THAT APPLY:**

_____**Minority-Owned Business Enterprise**
_____**Women-Owned Business Enterprise**
_____**Disadvantaged Business Enterprise**

## CONFLICT OF INTEREST QUESTIONNAIRE

Pursuant to Chapter 176 of the Texas Local Government Code, a person, or agent of a person, who contracts or seeks to contract for the sale or purchase of property, goods, or services with the City of Kennedale must file a completed conflict of interest questionnaire. The conflict of interest questionnaire must be filed with the City Secretary of the City of Kennedale no later than the seventh business day after the person or agent begins contract discussions or negotiations with the City of Kennedale or submits to the City of Kennedale an application, response to a request for proposal or bid, correspondence, or another writing
related to a potential agreement with the City of Kennedale. An updated conflict of interest questionnaire must be filed in accordance with Chapter 176 of the Local Government Code. An offense under Chapter 176 is a Class C misdemeanor.

The Conflict of Interest Questionnaire is included as part of this document and can be found at:

**https://www.ethics.state.tx.us/forms/CIQ.pdf**

# CONFLICT OF INTEREST QUESTIONNAIRE

**FORM CIQ**

**For vendor doing business with local governmental entity**

**This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.**

**OFFICE USE ONLY**

Date Received

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).

By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. *See* Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

1 **Name of vendor who has a business relationship with local governmental entity.**

2 ☐ **Check this box if you are filing an update to a previously filed questionnaire.** (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 **Name of local government officer about whom the information is being disclosed.**

Name of Officer

4 **Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. Complete subparts A and B for each employment or business relationship described. Attach additional pages to this Form CIQ as necessary.**

A. Is the local government officer or a family member of the officer receiving or likely to receive taxable income, other than investment income, from the vendor?

☐ Yes ☐ No

B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer or a family member of the officer AND the taxable income is not received from the local governmental entity?

☐ Yes ☐ No

5 **Describe each employment or business relationship that the vendor named in Section 1 maintains with a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership interest of one percent or more.**

6 ☐ Check this box if the vendor has given the local government officer or a family member of the officer one or more gifts as described in Section 176.003(a)(2)(B), excluding gifts described in Section 176.003(a-1).

7

Signature of vendor doing business with the governmental entity Date

## CONFLICT OF INTEREST QUESTIONNAIRE
### For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.176.htm. For easy reference, below are some of the sections cited on this form.

**<u>Local Government Code § 176.001(1-a)</u>:** "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

(A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;

(B) a transaction conducted at a price and subject to terms available to the public; or

(C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

**<u>Local Government Code § 176.003(a)(2)(A) and (B):</u>**

(a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

***

(2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds $2,500 during the 12-month period preceding the date that the officer becomes aware that

(i) a contract between the local governmental entity and vendor has been executed; or

(ii) the local governmental entity is considering entering into a contract with the vendor;

(B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than $100 in the 12-month period preceding the date the officer becomes aware that:

(i) a contract between the local governmental entity and vendor has been executed; or

(ii) the local governmental entity is considering entering into a contract with the vendor.

**<u>Local Government Code § 176.006(a) and (a-1)</u>**

(a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:

(1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);

(2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or

(3) has a family relationship with a local government officer of that local governmental entity.

(a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:

(1) the date that the vendor:

(A) begins discussions or negotiations to enter into a contract with the local governmental entity; or

(B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or

(2) the date the vendor becomes aware:

(A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);

(B) that the vendor has given one or more gifts described by Subsection (a); or

(C) of a family relationship with a local government officer.

# SPECIFICATIONS

## I. INTRODUCTION

A. General Information

The City of Kennedale and Kennedale Economic Development Corporation (EDC) ("City") is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the three (3) fiscal years ending September 30, 2018, 2019 and 2020 with the option for two (2) additional one (1) year renewals for the two (2) subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards (GAAS), the standards set forth for financial audits as contained in the Government Auditing Standards issued by the Comptroller General of the United States, Title 2 of the U.S. Code of Federal Regulation (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). as well as the provisions of the Texas Public Funds Investment Act as amended.

B. Term of Engagement

A three-year contract is contemplated, subject to the annual review and recommendation of the Proposal Review Committee, the satisfactory negotiation of terms (including a price acceptable to both the City and the selected firm), the concurrence of the City of Kennedale and the annual availability of an appropriation. By mutual agreement, the contract may be extended by two separate, one-year amendments.

## II. NATURE OF SERVICES REQUIRED

A. General

The City of Kennedale and Kennedale Economic Development Corporation (EDC) is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the three (3) fiscal years ending September 30, 2018, 2019, and 2020 with the option for two additional one-year renewals for the two subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Scope of Work to be Performed

The City desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles.

The City desires the auditor to express an opinion on the fair presentation of its combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. As part of this scope of work, the auditor will prepare a draft of the financial statements, related notes, and illustrative tables to support the information contained in the notes. The auditor will be responsible for formatting the report for printing and transmitting a final, electronic copy to the City. The auditor will be responsible for printing and binding of the reports.

The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an "in-relation-to" report on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements and the combining and individual fund financial statements and schedules. The auditor is not required to audit the introductory section of the report or the statistical section of the report.

The auditor is not required to audit the schedule of expenditures of federal and state awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

Should circumstances warrant, the auditor may be separately tasked to assist Kennedale through the City's Internal Audit section, specifically if the technical expertise or available resources within the City do not permit an effective and thorough execution of the assigned scope within a specified timeline.

Further, the auditor may be separately tasked to assist Kennedale through the City Manager's office to provide assurance using agreed upon procedures on the accuracy of certain reports the City Manager is required to approve and sign before submission to a reviewing agency (federal, state, etc.)

C. Auditing Standards to be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the Government Auditing Standards issued by the Comptroller General of the United States, Title 2 of the U.S. Code of Federal Regulation (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).as well as the provisions of the Texas Public Funds Investment Act as amended.

D. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal and state awards in relation to the audited financial statements. The auditor's opinion on the fair presentation of the financial statements will be included in the Comprehensive Annual Financial Report. A report on the City's internal control structure, operating procedures, and control risk, based on the auditor's understanding of such, is also required.

A report on compliance and internal control over compliance with laws and regulations related to major and non-major federal and state financial assistance programs shall be prepared if receipt thresholds are reached and require such. This report should be prepared in accordance with the provisions of 2 CFR 200 – Uniform Guidance.

In the required report on internal controls and operating procedures, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report on internal controls.

Prepare a report to be submitted to the Federal Audit Clearinghouse for the single audit reporting package and prepare a separate report to be submitted to the State Single Audit Coordinating Agency as designated by the Comptroller's office. A final Chapter 59 Asset Forfeiture Report will be submitted to the City Manager for approval. Additionally, an Equitable Sharing Agreement Certification (ESAC) report will be prepared and submitted to the City Manager for approval.

*Irregularities and illegal acts.* Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the City Manager or Finance Director as deemed appropriate.

*Reporting to the City Council.* Auditors shall assure that the City Council of Kennedale is informed of each of the following:

- The auditor's responsibilities under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management

- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit

E. Special Considerations

1. The City will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. Special assistance from the selected audit firm may be required for City of Kennedale to meet the requirements of that program.

2. The City currently anticipates it will prepare one or more official statements in connection with the sale of debt securities which will contain the general purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."

3. The schedule of federal and state financial assistance and related auditor's report, as well as the reports on the internal control structure and operating procedures and compliance are not to be included in the comprehensive annual financial report, but are to be issued separately.

4. A list of findings and other weaknesses from the City's most recent financial statement audit can be requested by contacting Brady Olsen, Finance Director, at phone 817-985-2110 or email bolsen@cityofkennedale.com. Of those findings and other weaknesses noted in the most recent report, management believes all findings and weaknesses have been addressed.

5. From time to time, auditor will be asked to provide guidance concerning proper accounting procedures and assist City Staff with interpretation of changes in Payroll law and/or tax law.

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the City or their designees. Copies of working papers will be provided to the City on an annual basis. If the auditor cannot provide copies, the original working papers will be made available to City staff for copying purposes.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

## III. DESCRIPTION OF THE GOVERNMENT

A. Contact Person, Organizational Chart, and Location of City Offices

The auditor's principal contact with the City of Kennedale will be Brady Olsen, Director of Finance, or a designated representative who will coordinate the assistance to be provided by the City of Kennedale to the audit firm.

A list of key personnel (Exhibit B) are attached. All City staff offices are located within the city limits of Kennedale.

B. Background Information

The City of Kennedale serves an area of 6.2 square miles with an estimated 2018 population of 8,500. The City of Kennedale' fiscal year begins on October 1st and ends on September 30th.

The City of Kennedale, Texas (the "City") was incorporated in 1947. The City operates under a Council-Manager form of government. The City provides a full range of services including police and fire protection; municipal court operations; the construction and maintenance of streets and infrastructure; parks, library, and recreational activities; neighborhood services activities; planning and inspections; and the operation of a water and wastewater system. A private contractor, through a franchise agreement, provides solid waste collection and disposal services for the City.

The City of Kennedale has a total bi-weekly payroll of approximately $135,00 covering approximately 78 employees.

The City of Kennedale is organized into 14 departments and agencies. The accounting and financial reporting functions of the City of Kennedale are centralized. However, the cash receipts function of the City is decentralized. Collections are handled at multiple locations throughout the City.

More detailed information on the government and its finances can be found in the City Charter, budget documents, official statements, and comprehensive annual financial reports. Much of this information is published on the City's web site at www.cityofkennedale.com.

Fund Structure

The City of Kennedale uses the following fund types and account groups in its financial reporting:

| Fund Type/Account Groups | # of Funds | #Funds w/Adopted Budgets | Major/Non-major |
|---|---|---|---|

| | | | |
|---|---|---|---|
| General Fund | 1 | 1 | 1/0 |
| Special Revenue Funds | 4 | 4 | 1/3 |
| Debt Service Funds | 1 | 1 | 1/0 |
| Capital Projects Funds | 5 | 5 | 1/4 |
| Enterprise Funds | 4 | 4 | 2/2 |
| Internal Service Funds | | | |
| Pension Trust Funds | | | |
| Other General Funds | 8 | 8 | 1/7 |
| Economic Development Corporation | 4 | 4 | 1/3 |
| Agency Funds | - | - | - |
| Discretely Presented CU | - | - | - |

Classification of a fund as major or non-major is subject to change in any given fiscal year. The City may, during the contract period, create additional funds deemed necessary to properly record and report financial transactions, while some existing funds may be deemed no longer necessary during the contract period. Use of the latter will be discontinued when all financial transactions have been posted, audited, and reported.

C. Budgetary Basis

The City prepares its annual operating budgets on a cash basis which require certain reclassification entries at year end to convert to a generally accepted accounting principles basis.

D. Federal and State Financial Assistance

During the previous fiscal year, the City did not receive sufficient Federal and State Awards of financial assistance to obtain a 2§CFR 200 Single Audit.

E. Pension Plans

The City participates in the Texas Municipal Retirement System, a joint contributory, defined contribution plan. Employee contributions are currently 7% of earnings with the City matching employee contributions at a rate actuarially derived each fiscal year (2018 Blended rate 16.1725%). Actuarial services for this plan are provided by the Texas Municipal Retirement System.

F. Component Units

The City of Kennedale is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. Using these criteria, component units are included in the financial statements of the City.

The management of the City of Kennedale has identified the following component units for inclusion in the Kennedale financial statements (each shares the same fiscal year as the City):

- Kennedale Economic Development Corporation (EDC)
- Tax Increment Financing District #1 (TIF #1)

All funds are categorized as blended component units.

G. Magnitude of Finance Operations
The Finance Department is headed by Brady Olsen, Director of Finance and consists of 3 employees.

H. <u>Computer System</u>

Applications: STW

Systems:

| | |
|---|---|
| Financial | General Ledger/Budget |
| Accounts Payable | Miscellaneous A/R |
| Purchasing and Inventory | Payroll/Personnel |
| Utility Billing | Fixed Asset Tracking |
| Project Accounting | |

PC's Microsoft Excel, Word, PowerPoint

I. <u>Internal Audit Function</u>

The City of Kennedale has maintained a very limited internal audit function for the past several years.

J. <u>Availability of Prior Audit Reports and Working Papers</u>

Interested respondents wishing to review the City's most recent financial statement should find a copy on the City's web site at www.cityofkennedale.com.

## IV. Time Requirements

A. <u>Proposal Calendar</u>

The following list contains key dates up to and including the date proposals are due to be submitted. These dates are expected, but may change based on Council preference:

- Request for proposals issued: March 26, 2018
- Deadline for questions: 12:00 p.m. (noon) April 23, 2018
- Pre-proposal conference: 10:00 a.m. on April 11, 2018
- Due date for proposals: 2:00 p.m. on June 4, 2018
  During the time period from June 4, 2018 up to June 8, 2018 City Staff will review and discuss each proposal. The City may determine there is a need to contact the proposers for clarification during this time as well.
- Firm Interviews: June 18th 2018. Time to be determined.
  Top two (2) responders will be invited for a 30 minute presentation to the City Council, followed by a time (not to exceed 30 minutes) for questions and answers before final award is made. Those firms invited to make presentations will be notified no later than June 8, 2018.

B. <u>Notification and Contract Dates</u>

- Notification of selected firm: June 18th, 2018
- City Council award of contract: July 16th, 2018
- Contract date: on or before August 1, 2018

C. <u>Date Audit May Commence</u>

Interim work for the 2018 fiscal year is currently scheduled for a two-week period beginning within the month of September, 2018. The regular audit for fiscal year 2018 can begin after December 3, 2018. The audit fieldwork shall be substantially complete by Mid January 2019. Any deviation from this schedule is to be noted by the audit firm in the response to the request for proposals.

D. Important Dates for the 2018 Fiscal Year Audit

| PRELIMINARY<br>Fiscal Year 2018 Audit Dates | |
|---|---|
| ITEM | DUE DATE |
| Interim Field Work (8/31 TB Date) only if needed | Any two week period (September, 2018) |
| Electronic Trial Balance to Auditors (rolled up to CAFR Levels) | 12/3/2018 |
| Field Work | 12/3/2018 – 01/25/2019 |
| Draft CAFR Report from Auditors | 02/11/2019 |
| Presentation to City Council | 02/18/2019 |

Each of the following shall be completed by the auditor no later than the dates indicated. Any deviations from the dates shown are to be noted by the audit firm in the response to the request for proposals.

1. Detailed audit plan
   The auditor shall provide the City with a detailed audit plan by the conclusion of interim work. A list of all schedules ("PBC") to be prepared by City staff shall be submitted no later than August 24, 2018.

2. Draft financial reports
   City staff will be responsible for presenting a Trial Balance and supporting schedules, including all required items from the PBC list, to the auditor prior to the commencement of field work. The auditor will be responsible for preparing the Comprehensive Annual Financial Report ("CAFR").

   What follows is the City's preference for dates. The final acceptable date for audit presentation would be the 3rd Monday in March. City staff anticipates the auditor will complete the financial portion of the report for City staff review no later than February 11, 2019 (Financial Statements, Notes and supplemental schedules). The Letter of Transmittal and statistical section will be complete for City Staff review by February 11, 2019. Staff anticipates the auditor will complete the Single Audit, Required Supplemental Information, Management Report, and Internal Control portions of the report for City staff review no later than February 11, 2019. City Staff anticipates the completion of the Management Discussion and Analysis (MDA) portion for auditor review no later than February 11, 2019.

City staff will complete review of the draft as expeditiously as possible. Staff anticipates the review process should be complete within seven days. Auditor suggested corrections to the draft are to be completed and an updated draft of the report will be submitted back to City staff within seven days.

Subsequent corrections to the CAFR must be submitted to City staff as expeditiously as possible in order to meet the scheduled delivery date of the final report as noted below.

3. Final report
   All reports are required to be submitted in final print ready pdf form to the City for insertion or inclusion with the final CAFR for council presentation.

   City staff anticipates the auditor will complete the final, print ready version of the CAFR by February 18, 2019. The auditor will format and transmit an electronic copy of all reports on CD/DVD to the City for storage. The auditor will be responsible for the printing and binding of any report document.

   The financial statements, report to management on internal control, and single audit report will be presented to City Council on Feburary 18, 2019. Auditor will be required to make a presentation concerning the audit process, required disclosures to City Council (Section II, Paragraph E), single audit results (if applicable), internal control issues, and highlighted financial data. A similar presentation will be required each year the audit contract is in effect.

   The City may publish any or all such reports on the City's web site for access by interested parties. As such, electronic copies of said reports shall be provided to the City for such publication. Staff anticipates publication of said reports within 30 days of City Council approval and acceptance of the reports.

4. Additional required reports
   All reports are required to be submitted in final print ready pdf form to the City for presentation as necessary. A final Chapter 59 Asset Forfeiture Report will be submitted to the City Manager for approval. Additionally, an Equitable Sharing Agreement Certification (ESAC) report will be prepared and submitted to the City Manager for approval. The auditor will be expected to electronically file the Federal Single Audit Report with the Federal Audit Clearinghouse and the State Single Audit Report with the Texas Comptroller of Public Accounts and the State Auditor's Office.

E. Entrance/Exit Conferences and Progress Reporting

   a. Entrance/Planning Conference for upcoming Audit

1. July of each year a meeting/conference will convene to help establish audit calendar, timeline, and relevant other pre-audit concerns and issues.

b. Progress Reporting

1. Starting with first week of field work and every active week of audit work afterward the Audit Lead of the firm, Senior members of the Audit team City's Finance Director will convene to have progress meetings on audit status.

c. Exit Conferences

1. An exit conference will be scheduled during the final two weeks before presentation to council. Suggested attendees will be a member of City Management, Finance Director,CPA firm Audit Manager, CPA firm Audit Partner, and other designated representatives agreed upon by all parties.

F. Master List of Expected Report Deliverables

1. Comprehensive Annual Financial Report
2. Federal and State Single Audit Report(s)
3. Chapter 59 Asset Forfeiture Report
4. Equitable Sharing Agreement & Certification Report
5. Management Letter
6. Other reports on an "as-needed" basis – such as possible assistance with Internal Audit reviews, assistance with Issuances of Debt, assistance with Strategic Planning or Long Range Planning activities, etc.

## V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department Assistance

The finance department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation, and explanations. City staff will prepare audit confirmation letters requested by auditors.

B. Information Technology Assistance

Information technology personnel will be available to provide systems documentation and explanations. The auditor will not be provided access to the City's computer hardware or software. However, the City's general ledger account balances will be provided electronically. Typically, this information has been available in Microsoft Excel format. Summary data by financial statement line item is not available electronically at this time.

Staff does and will provide a substantial amount of support documents to the auditors in electronic format.

C. Statements and Schedules to be Prepared by City Staff

City staff will provide the following information, schedules, and reports to the auditor:

- General ledger detail of year-to-date activity for all or selected accounts as requested by auditor
- Year-to-date Summary Trial Balance for each reporting fund
- Budget Reports, both adopted and revised

D. Work Area and Available Equipment

The City will provide the auditor with reasonable work space, tables, chairs, wifi access, door access to accounting area, a telephone line, and photocopying facilities will also be provided.

E. Report Preparation

Preparation of statements, schedules, notes, and other narrative included in the Comprehensive Annual Financial Report, exclusive of the “MD&A” will be the responsibility of the auditor. The City requires the auditor to review the report and propose corrections as necessary. Review shall include verification of calculations and partial presentations of audited figures reflected in the report narrative.

Auditor will be responsible for preparation and issuance of other required reports such as the Single Audit Report and the Report to Management on Internal Control. The City requires all final and signed reports be provided in both pdf electronic and printed/bound form. The number of printed/bound reports will be determined and agreed to by both parties each year.

## VI. Proposal Requirements

A. General Requirements

1. Inquiries
2. Submission of Proposals

The following material is required to be received by 2:00 p.m. on June 11, 2018 for a proposing firm to be considered:

a. The proposal response must be hardcopy, including a master copy (so marked) of a Technical Proposal and one soft copy on flash drive to be considered:

   i. Title Page
   ii. Table of Contents
   iii. Transmittal Letter
   iv. Detailed Proposal

DOCUMENTS MAY BE DELIVERED TO:

Finance: Attn: 18-003 PROFESSIONAL AUDITING SERVICES

CITY OF KENNEDALE
405 MUNICIPAL DR
KENNEDALE, TX 76060

If delivering a bid packet please include ***One (1) hard copy and One (1) soft copy on Flash drive.*** Submit documents in a sealed envelope with the following information marked plainly on the front:

**ATTN: FINANCE**
**18-003 PROFESSIONAL AUDITING SERVICES**

B. Technical Proposal

1. General Requirements
The purpose of the technical proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of the City in conformity with the requirements of this request for proposals. As such, the substance of the proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be

assigned to this engagement. It should also specify an audit approach that will meet the request for proposals requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The technical proposal should address all the points outlined in the request for proposals, excluding any cost information which should be included only in the sealed dollar cost bid. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, item numbers 2 through 10, must be included as they represent the criteria against which the proposal will be evaluated.

2. Independence

   The firm should provide an affirmative statement that it is independent of the City of Kennedale as defined by generally accepted auditing standards and the *Government Auditing Standards* as issued by the Comptroller General of the United States.

   The firm should also provide an affirmative statement that it is independent of all of the component units of the City as defined by those same standards.

   The firm should also list and describe the firm's professional relationships involving the City or any of its agencies or component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

   In addition, the firm shall give the City written notice of any professional relationships that could compromise independence entered into during the period of this agreement.

3. License to Practice in the State of Texas

   An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in Texas.

4. Firm Qualifications and Experience

   The proposal should state the professional staffing size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and professional background of professional staff to be employed on this engagement on a full-time basis as well as the number and professional background of the staff to be so employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualification of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review (peer review), with a statement whether that quality control review included a review of specific governmental agency engagements.

The firm shall also provide information on the results of any federal or state desk review or field review of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory, and Staff Qualifications and Experience
   The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors, and specialists, who would be assigned to the engagement and indicate whether each person is licensed to practice as a certified public accountant in Texas. The firm should provide information on the governmental auditing experience of each person, including information on relevant continuing education for the past three (3) years and memberships in professional organizations relevant to the performance of this audit.

   The firm should provide as much information as possible regarding the number, qualifications, experience, and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm should also indicate how the quality of the staff over the term of the engagement will be assured.

   Engagement partners, managers, other supervisory staff, and specialists may be changed if those personnel leave the firm, are promoted, or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City. However, in either case, the City retains the right to approve or reject replacements.

   Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of the City, which retains the right to approve or reject replacements. Should the need arise where the City may request a Consultant or specialist be replaced, the Director of Finance will work with the Audit Partner directly to address any such occurrence.

Other audit personnel may be changed at the discretion of the proposer provided the replacements have substantially the same or better qualifications or experience.

6. Prior Engagements with the City of Kennedale
   The firm should list separately all engagements within the last five years, ranked on the basis of total staff hours, for the City of Kennedale by type of engagement (i.e. audit, management advisory services, special studies, etc.). For each engagement, the firm should indicate the scope of the work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the of the principal client contact.

7. Similar Engagements with Other Governmental Entities
   For the firm's office that will be assigned responsibility for the City's audit, list the most significant engagements (maximum of 5) performed in the last five (5) years that are similar to the engagement described in this request for proposals. These engagements should be ranked on the basis of total staff hours. The scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact must be included.

8. Specific Audit Approach
   The proposal should set forth a work plan, including an explanation of the audit methodology to be followed to perform the services required in Section II of this request for proposals. In developing the work plan, references should be made to such sources of information as the City's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

   Proposers will be required to provide the following information on audit approach:

   a. Proposed segmentation of the engagement
   b. Level of staff and number of hours to be assigned to each proposed segment of the engagement
   c. Sample sizes and the extent to which statistical sampling is to be used in the engagement
   d. Extent of the use of EDP software in the engagement
   e. Type and extent of analytical procedures to be used in the engagement
   f. Approach to be taken to gain and document an understanding of the City's internal control structure
   g. Approach to be taken in determining laws and regulations that will be subject to audit test work
   h. Approach to be taken in drawing audit samples for purpose of tests of compliance

9. Identification of Anticipated Potential Audit Problems
   The proposer should identify and describe any anticipated potential audit problems, the firm's approach to resolving these types of problems, and any special assistance that will be requested from the City of Kennedale and its staff.

10. Report Format
    The proposer should include sample formats for required reports. Examples of such reports are shown in Section II, Item D – Reports to be Issued.

    NO DOLLAR COSTS FOR THIS ENGAGEMENT SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL.

C. Sealed Dollar Cost Bid

1. Total All-Inclusive Maximum Price
   The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs. The City will not reimburse Auditor for out-of-pocket expenses.

   The first page of the sealed dollar cost bid should include the following information:

   a. Name of firm;
   b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City of Kennedale;
   c. A total all-inclusive maximum price by year for the financial audit of the comprehensive annual financial report of the City of Kennedale for the three fiscal years ending September 30, 2018, 2019, and 2020;
   d. Total all-inclusive maximum price by year for the single audit of the City of Kennedale for the three fiscal years ending September 30, 2018, 2019, and 2020.
   e. Method to be employed to calculate future year audit costs (i.e. for the two one-year extension options).

   The City will not be responsible for expenses incurred in the preparation and submission of the response to this request for proposals. Such costs should not be included in the proposal.

2. Rates for Additional Professional Services
   If it should become necessary for the City to request the auditor to render any additional services to either supplement the services requested in this request

for proposals or to perform additional work as a result of the specific recommendations included in any report issued to management on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

3. Manner of Payment
   Progress payments will be made on the basis of hours of work completed during the course of the engagement in accordance with the firm's sealed dollar cost bid. Interim billing statements shall cover a period of not less than one calendar month. Billings *must* include detail reflecting hours worked by staffing levels and estimated hours to completion.

   *Invoices received without this information will be returned unpaid.*

   Invoices for single audit services shall be prepared using the same detail specifications for billings mentioned in the preceding paragraph. Invoices for single audit services shall not include any items other than those performed in connection with the single audit. Interim billing statements for single audit services shall cover a period of not less than one calendar month.

***SAMPLE BILLING STATEMENT***
***LEVEL OF DETAIL REQUIRED FOR PAYMENT***

*Financial Statement Audit, Single Audit*

*Year Ended September 30, 2018*

| Description | Engagement Hours | Hourly Rates | Engagement Costs | Remaining Hours | Remaining Costs |
|---|---|---|---|---|---|
| Partners | | $ | $ | | $ |
| Managers | | $ | $ | | $ |
| Supervisory | | $ | $ | | $ |
| Staff | | $ | $ | | $ |
| Other (specify) | | $ | $ | | $ |
| | | $ | $ | | $ |
| | | $ | $ | | $ |
| **Totals** | | | | | |

| Description | Incurred Hours | Incurred Costs | Previously Billed | Due Current Statement |
|---|---|---|---|---|
| Partners | | $ | $ | |
| Managers | | $ | $ | |
| Supervisory | | $ | $ | |
| Staff | | $ | $ | |
| Other (specify) | | $ | $ | |
| | | $ | $ | |
| | | $ | $ | |
| **Totals** | | | | |

## VII. EVALUATION PROCEDURES

A. Proposal Review Committee

Proposals submitted will be evaluated by City Staff.

B. Review of Proposals

City Staff will use a point formula during the review process to score proposals. City Staffwill first score each technical proposal by each of the criteria described in Section VII, C below. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest all-inclusive maximum prices. Appropriate fractional scores will be assigned to the remaining proposers' dollar cost bids.

The City of Kennedale reserves the right to retain all proposals submitted and use any idea in any proposal regardless of whether that proposal is selected.

C. Evaluation Criteria

Proposals will be evaluated using four sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria which will be considered during the evaluation process.

1. Mandatory Elements
   a. The firm is independent and licensed to practice in Texas
   b. The firm has no conflict of interest with regard to any other work performed by the firm for the City
   c. The audit firm's professional personnel have received adequate continuing professional education within the last three (3) years
   d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work
   e. The firm adheres to the instructions in this request for proposals for preparing and submitting the proposal

2. Technical Qualifications
   a. Expertise and experience
      i. The firm's past experience and performance on comparable governmental engagements as determined in part from client reference responses
      ii. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation

iii. Computer expertise

b. Audit approach
   i. Adequacy of proposed staffing plan the various segments of the engagement
   ii. Adequacy of sampling techniques
   iii. Adequacy of analytical procedures

3. Ability to meet stated deadlines
   a. Ability to meet summer fieldwork schedule or provide an acceptable alternative
   b. Ability to meet on-site audit dates or provide an acceptable alternative
   c. Ability to meet final report delivery date, no alternative is acceptable

4. Price
   Cost will not be the primary factor in the selection of an audit firm

D. <u>Oral Presentations</u>
During the evaluation process, the City Staff may, at its discretion, request any number of or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions Staff anf City Council may have on a firm's proposal. Not all firms submitting proposals may be asked to make such oral presentations.

# BID FORMS

| BID SUMMARY SHEET | | | |
|---|---|---|---|
| **SUMMARY SCHEDULE OF PROFESSIONAL FEES<br>FOR AUDITING SERVICES RELATING TO THE<br>FISCALS YEARS ENDING SEPTEMBER 30, 2018, 2019, & 2020** | | | |
| **DESCRIPTION** | **TOTAL COST FY ENDING 9/30/2018** | **TOTAL COST FY ENDING 9/30/2019** | **TOTAL COST FY ENDING 9/30/2020** |
| Financial Audit | $ | $ | $ |
| Single Audit | $ | $ | $ |
| Official Statement Review (per issuance) | $ | $ | $ |
| Payroll Tax or Employment law Consultation (per Hour Cost) | $ | $ | $ |
| Annual Totals | $ | $ | $ |

## BID FORMS

| FINANCIAL AUDIT AND REPORT ISSUANCE | | | |
|---|---|---|---|
| SCHEDULE OF PROFESSINAL FEES<br>FOR FINANCIAL STATEMENT AUDIT SERVICES RELATING TO THE | | | |
| **DESCRIPTION** | **TOTAL HOURS** | **QUOTED HOURLY RATE** | **TOTAL ALL-INCLUSIVE COST** |
| **Fiscal Year Ending September 30, 2018** | | | |
| Partners | | $ | $ |
| Managers | | $ | $ |
| Supervisory | | $ | $ |
| Staff | | $ | $ |
| Other (specify) | | $ | $ |
| Annual Totals | | $ | $ |
| **Fiscal Year Ending September 30, 2019** | | | |
| Partners | | $ | $ |
| Managers | | $ | $ |
| Supervisory | | $ | $ |
| Staff | | $ | $ |
| Other (specify) | | $ | $ |
| Annual Totals | | $ | $ |
| **Fiscal Year Ending September 30, 2020** | | | |
| Partners | | $ | $ |
| Managers | | $ | $ |
| Supervisory | | $ | $ |
| Staff | | $ | $ |
| Other (specify) | | $ | $ |
| Annual Totals | | $ | $ |

## BID FORMS

The Undersigned, in submitting this proposal, represents and certifies:

a. He/she is fully informed regarding the preparation, contents and circumstances of the attached bid;

b. He/she proposes to furnish all equipment/service at the prices quoted herein and bid is in strict accordance with the conditions and specifications stated herein;

c. There will at no time be pleaded either a misunderstanding as to the intent of the specifications or conditions to be overcome or pleaded after the bids are opened;

d. He/she is an equal opportunity employer, and will not discriminate with regard to race, color, national origin, age or sex in the performance of this contract.

COMPANY: ____________________________________________________

ADDRESS: ____________________________________________________

CITY, STATE & ZIP: ____________________________________________

TELEPHONE: __________________________________________________

FAX: _______________________________________________________

EMAIL: _____________________________________________________

SIGNATURE: ____________________________

PRINTED NAME: _________________________

DATE: __________________________________

**EXHIBIT 'A'**
**STANDARD FOR AGREEMENT CONTRACT**

CITY OF KENNEDALE
CONTRACT FOR PROFESSIONAL AUDITING SERVICES

This contract is made and entered into this **_____**day of July 2018 by and between the City of Kennedale, Texas, a municipal corporation in Tarrant County, Texas (hereinafter referred to as the "City"), and **_____________________________________**, CPAs, (hereinafter referred to as the "Auditor").

W I T N E S E T H

WHEREAS, the City is a municipal corporation of the State of Texas, located at City Hall, 405 Municipal Dr, Kennedale, Texas 76060, wherein the books and records of said City are kept, and

WHEREAS, the Auditor is a Certified Public Accountant, duly licensed in said capacity in the State of Texas, having paid all fees pursuant to such licensing, and the City being willing to employ Auditor on the terms and conditions hereinafter set forth, the parties agree as follows:

Terms and Conditions

1. The Request for Proposals (RFQ 18-007) for Professional Audit Services is incorporated into this agreement and all conditions and requirements of the Request for Proposals are hereinafter considered to be part of this agreement.

2. While the objective of the examination is the expression of an unmodified opinion on the fair presentation of the financial statements of the City, it is understood that an opinion may have to be modified or disclaimed as the facts or circumstances dictate.

   The City has the responsibility for the proper recording of transactions in the books of account, for the safeguarding of assets, and for the substantial accuracy of the financial statements. Such are the representations of the City. In addition, it is understood that the examination is not primarily designed and cannot be relied upon to disclose defalcations and other similar irregularities, although their discovery may result. If irregularities are discovered, Auditor will report such irregularities to the City Manager, Director of Finance, or Assistant Director of Finance as deemed appropriate.

3. City agrees to make progress payments on the basis of hours of work completed during the course of the engagement in accordance with the firm's dollar cost bid proposal. Interim billings shall cover a period of no less than one calendar month.

Interim billings must include detail which reflects hours worked by staffing levels and the remaining estimated hours to completion. Invoices received without this information will be returned unpaid.

Invoices for single audit services shall be prepared using the same detail specifications and timing for other billings mentioned previously. Invoices for single audit services shall not include any items other than those performed in connection with the single audit. Interim billings shall be sent based on percent of work completed, with final payment upon delivery of the Single Audit Reports.

4. Auditor agrees that it will not at any time, either directly or indirectly, disclose or communicate to any person, firm, or corporation in any manner whatsoever any information of any kind or description concerning any matters affecting or relating to the business of the City whether or not any or all such matters would otherwise be deemed confidential material, unless otherwise pursuant to law or is so directed by the City.

5. This contract may be modified or amended by mutual agreement of the parties. No waiver, modification, or amendment of any term, condition, or provision of this contract will be valid, or of any force or effect, unless made in writing and signed by the parties hereto.

6. A failure by the City to initiate action as to any breach shall not be deemed as a waiver of that right of action and all such initiated rights of action shall be cumulative.

7. This contract shall be governed by and construed and enforced in accordance with the laws of the State of Texas.

8. This contract shall be deemed to have been made and performed in Tarrant County, Texas. For purposes of venue, all suits or causes of action arising out of this contract shall be brought in the courts of Tarrant County, Texas.

9. In accordance with Chapter 2270 of the Texas Government Code, a governmental entity may not enter into a contract with a company for goods or services unless the contract contains a written verification from the company that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The authorized signatory executing this contract or accepting this purchase order on behalf of company, as applicable, hereby verifies that the company does not boycott Israel and will not boycott Israel during the term of this contract.

10. It is agreed between the City and the Auditor that the contract shall be executed in an original and two (2) copies, any one of which may be used for any purposes for which the original may be used.

11. It is the intent of the parties that nothing contained herein shall be interpreted to assign to Auditor any status under this Agreement other than that of an independent contractor.

12. Auditor covenants that to the best of its knowledge, neither it nor any of its partners or employees presently has any interest and shall not acquire any interest, direct or indirect, financial or otherwise, in any matters subject to audit by the City or that would conflict in any manner or degree with the performance of services under this Agreement and that none of its partners are employees of the City, and that no one employed by the Auditor and no one who has or will have any financial interest under this Agreement is an officer or employee of the City.

13. No discrimination because of race, color, sex, age, handicap, national origin, ancestry, or religion shall be made in the employment of persons performing services under this contract. Auditor covenants that it will comply with all nondiscrimination provisions of applicable federal law or executive order in the performance of this Agreement.

14. Indemnification Agreement
    As between the City and Auditor, the Auditor shall assume responsibility and liability only for any damage, loss, or injury caused by or resulting from the negligent acts of the Auditor, or any of its officers, agents, servants, or employees, arising from the performance of work under this Agreement. The Auditor shall indemnify and hold harmless the City and all of its offices, agents, servants, or employees from and against any and such claims, loss, damage, charge, or expense to which they or any of them may reasonably be put or subjected by reason of any such negligent acts, but only if an adjudication of negligence is made against the Auditor. The Auditor expressly agrees to provide professional time, at no additional fee, required in the defense against any claim brought or actions filed against the City, where such claim or action arises from the negligent acts, but only if an adjudication of negligence is made against the Auditor.

15. Insurance
    The Auditor certifies, and will provide insurance certificate with the signed contract, that it carries the following types of insurance:
    A. Statutory workers' compensation insurance or proof that such coverage is not required to be provided by Auditor under State law.
    B. Professional liability insurance on the contractual services in this contract with minimum limit of $1,000,000.
    C. Comprehensive liability insurance covering all operations and automobiles:

    i. With limits of $100,000/$300,000 bodily injury
    ii. With limit of $50,000 property damage

D. Umbrella or excess coverage cannot be used to reach the limits stated in B and C.

16. This contract being one for professional services cannot be transferred, assigned, or sublet without the prior written approval of the City.

17. This document contains the entire agreement between the parties and shall not be altered, varied, or modified unless made in writing and signed by the parties hereto. There are no understandings, representations, or agreements, written or oral, not incorporated herein. The terms of the engagement will also be confirmed in the annual engagement letter.

18. For purposes of this Agreement, any notices required to be sent to the parties hereof shall be mailed to the following respective addresses:

| AUDITOR | CITY |
|---|---|
| ______________________ | City of Kennedale |
| ______________________ | 405 Municipal Dr |
| ______________________ | Kennedale, TX 76060 |

IN WITNESS WHEREOF, the parties have made and executed this Agreement the day and year written above.

AUDITOR: CITY OF KENNEDALE, TEXAS:

______________________ ______________________

Partner

George Campbell,
City Manager

Witness:

Attest:

______________________ ______________________

Signature

Maleshia McGinnis,
City Attorney

______________________

Name (typed or printed)

**EXHIBIT B**
**CITY OF KENNEDALE**
**LIST OF PRINCIPAL OFFICIALS**
**MARCH, 2018**

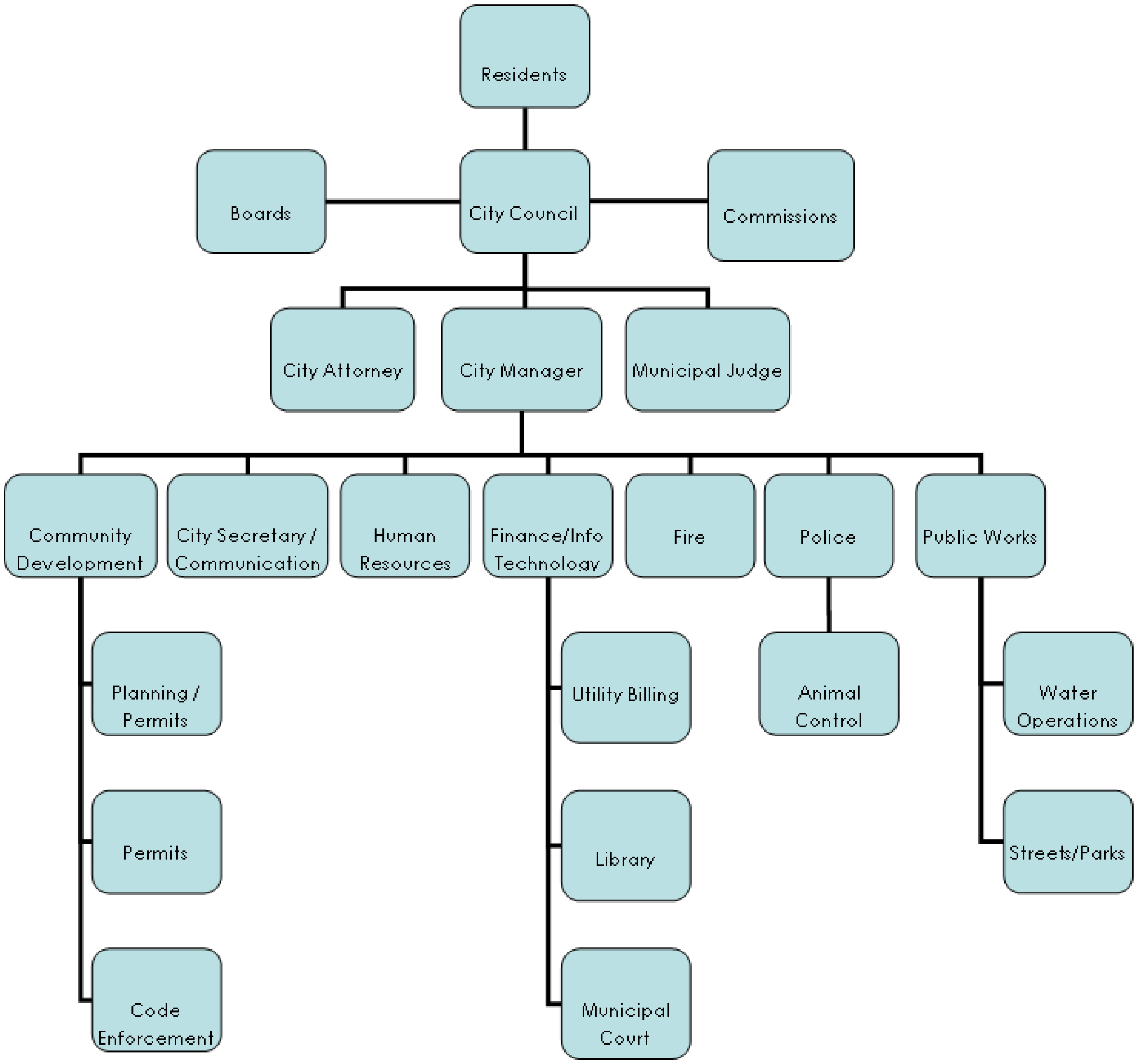
***MAYOR AND CITY COUNCIL:***

| | |
|---|---|
| Brian Johnson | MAYOR |
| Rockie Gilley | COUNCILMEMBER, PLACE 1 |
| Liz Carrington | COUNCILMEMBER, PLACE 2 |
| Sandra Lee | COUNCILMEMBER, PLACE 3 |
| Kelly Turner | COUNCILMEMBER, PLACE 4 |
| Jan Joplin | MAYOR PRO TEM, COUNCILMEMBER, PLACE 5 |

***ADMINISTRATION AND DEPARTMENT DIRECTORS:***

| | |
|---|---|
| George Campbell | CITY MANAGER |
| Larry Hoover | ACTING DIRECTOR OF PUBLIC WORKS |
| Brady Olsen | DIRECTOR OF FINANCE |
| Leslie Galloway | CITY SECRETARY |
| TOASE | CITY ATTORNEY |
| Danielle Clarke | DIRECTOR OF HUMAN RESOURCES |
| Jay Narayana | ACTING COMMUNITY DEVELOPMENT DIRECTOR |
| Amanda King | LIBRARY DIRECTOR |
| Mike McMurray | FIRE CHIEF |
| Tommy Williams | POLICE CHIEF |

**EXHIBIT C**
**CITY OF KENNEDALE**
**ORGANIZATIONAL CHART**



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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** WORK SESSION - B.

---

**I. Subject:**
Presentation of the background, current status, and future plans for the New Hope Road Project

**II. Originated by:**

Larry Hoover, Streets and Parks Supervisor

**III. Summary:**
Consent Items D, E, and F are all related to one another, and each first appeared on the Monday, May 21, 2018 Consent Agenda, but were postponed at the request of the Council.

Staff and representatives from Freese and Nichols will present an overview of the New Hope Road project, including progress to date and the current considerations; and to answer any questions the Council may have.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**

**VII. Alternative Actions:**

**VIII. Attachments:**

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** WORK SESSION - C.

---

**I. Subject:**
Review and discuss applications of potential candidates for the 2018-19 Youth Advisory Council (YAC)

**II. Originated by:**

Leslie Galloway, City Secretary & Communications Coordinator

**III. Summary:**
At this time, Council may review and discuss applicants for the 2018-19 Youth Advisory Council (YAC). There are 15 seats on this board, and we received 10 applications (8 incumbents and 2 new applicants). All submitted documents are attached.

**2018-19 Youth Advisory Council (YAC) Applicants**
**INCUMBENTS**
1. Allen Constantino
2. Hannah Stephens
3. Riya Patel
4. Christianah Adejokun
5. Kayla Guevara
6. Leland Murphy
7. McKendry Walsh
8. Quincy Martin

**NEW APPLICANTS**
9. Allie Murphy
10. Ryan Roller

---

All members of the YAC serve 1-year terms from June through May of the following year, and can apply to be reappointed annually until they graduate from high school. As with all city boards and commissions, YAC members are appointed by the City Council. YAC officers (Chair, Vice Chair, Secretary, Historian) are appointed by the YAC itself.

**Mission Statement**
The City of Kennedale is a community where youth are valued and involved in planning for the future; the Kennedale Youth Advisory Council is a select group of young leaders who, through research, peer discussion, and community interaction, provide a youth perspective to City Council on a wide variety of community and youth-related issues.

**Member Qualifications**
- Between the ages of 15 and 19 and currently enrolled in school; and
- Reside within the corporate boundaries of the City of Kennedale; or
- Reside within the boundaries of the Kennedale Independent School District; or
- Attend a state-recognized school or homeschool within the corporate boundaries of the City of Kennedale

405 Municipal Drive, Kennedale, TX 76060 | Telephone: 817-985-2100 | Fax: 817-478-7169

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**
Staff recommends the appointment of all 10 applicants.

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | YAC Apps 2018-19 | YAC Apps 2018-19_all.pdf |

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** WORK SESSION - D.

---

**I. Subject:**
Discuss potential appointments to Charter Study Committee

**II. Originated by:**

**III. Summary:**

---

**NEW INFORMATION**

Councilmembers Chris Pugh and Linda Rhodes have submitted their nominees and the updated chart appears below. Please note that the current nominations would result in a quorum of both the EDC and TDD (TownCenter Development District) boards.

---

**From the May 21 Staff Report:**

At the request of the City Council, discussion of this item was postponed from the Monday, April 16 Work Session until today's meeting when input could be received from the newly-elected Councilmembers in Places 2 and 4. The City of Kennedale's original Home Rule Charter was written in 1997 and adopted in 1998, and has since been amended once (in 2016). Both the original and current charters can be accessed at www.cityofkennedale.com/charter.

---

**From the April 16 Staff Report:**
At the Thursday, February 15 Regular Meeting, City Council discussed several potential Charter amendments and Mayor Brian Johnson asked that Councilmembers forward their nominations for three members for a Charter Review Committee, which would also include himself and Councilmembers Rockie Gilley and Sandra Lee.

| NOMINEE | NOMINATED BY |
|---|---|
| Mayor Brian Johnson **(TDD)** | Council |
| Councilmember Sandra Lee **(EDC) (TDD)** | |
| Councilmember Rockie Gilley | |
| Councilmember Linda Rhodes | Brian Johnson |
| Pat Turner **(EDC)** | |
| Timothy Brestowski | |
| Tom Newsom (UIB) | Rockie Gilley |
| Bob Gruenhagen (P&Z) | |
| Eric Elam (BOA/BBA) | |
| Mike Walker | Chris Pugh |
| Charles Overstreet | |
| John Clark | |
| Loree Boyd | Sandra Lee |
| John Golden | |
| Sara Johnson | |
| *KENNETH MICHELS** | Linda Rhodes |
| Robert Mundy**(EDC) (TDD)** | |
| *RALPH GRIMES** **(EDC)** | |
| Chris Stroncek | Jan Joplin |
| Martha Elrod | |
| Gail Uranga | |
| | |
| Mike Walker (NOMINATED ABOVE) | Former Councilmember Liz Carrington |
| Charles Overstreet (NOMINATED ABOVE) | |
| John Clark (NOMINATED ABOVE) | |
| Pat Vader | Former Councilmember Kelly Turner |
| Robert Mundy **(EDC) (TDD)** (NOMINATED ABOVE) | |
| Jeff Nevarez (PARKS) | |

** NEWLY NOMINATED*

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Alternative Actions (see below)

**VII. Alternative Actions:**
Council discussion and further direction as requested.

**VIII. Attachments:**

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## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** WORK SESSION - E.

---

**I. Subject:**
Discussion of items on Regular Session

**II. Originated by:**

Leslie Galloway, City Secretary & Communications Coordinator

**III. Summary:**
At this time, Council may choose to discuss any item on the agenda.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**

**VII. Alternative Actions:**

**VIII. Attachments:**

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REPORTS/ANNOUNCEMENTS - A.

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**I. Subject:**
Updates from the Mayor
• Recognition of 2017-2018 YAC members

**II. Originated by:**

Brian Johnson

**III. Summary:**

Updates and information from Mayor Brian Johnson, including:

Recognition of 2017-2018 Youth Advisory Council (YAC) Members:

- **Tiffany Pavey, Chair, KHS Senior**
- **Claudia Vilchez, Vice Chair, KHS Senior**
- **Leland Murphy, Secretary, KHS Junior**
- **McKendry Walsh, Historian, KHS Junior**
- Andrew Flanagan, KHS Senior
- Luke Michener, KHS Senior
- Haley Smith, KHS Senior
- Riya Patel, Fort Worth Country Day Sophomore
- Dan Nguyen, KHS Senior
- Christianah Adejokun, Uplift Summit International Preparatory Junior
- Quincy Martin, KHS Sophomore
- Hannah Stephens, KHS Junior
- Kayla Guevara, KHS  Sophomore
- Elvon Bowman, KHS Junior
- Allen Constantino, KHS Sophomore

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**

**VII. Alternative Actions:**

**VIII. Attachments:**

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REPORTS/ANNOUNCEMENTS - B.

---

**I. Subject:**
Updates from the City Council

**II. Originated by:**

**III. Summary:**
Updates and information from City Council Members, if any.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**

**VII. Alternative Actions:**

**VIII. Attachments:**

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## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REPORTS/ANNOUNCEMENTS - C.

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**I. Subject:**
Updates from the City Manager

**II. Originated by:**

**III. Summary:**
Updates and information from City Manager George Campbell, if any.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**

**VII. Alternative Actions:**

**VIII. Attachments:**

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** MONITORING INFORMATION - A.

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**I. Subject:**
Monthly Financials – May 2018

**II. Originated by:**

Brady Olsen, Finance Director

**III. Summary:**
Overview of the City's revenues and expenditures for all funds compared to budget and previous year.

Sales tax revenue continue to be higher than expected, largely due to increased manufacturing in the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**

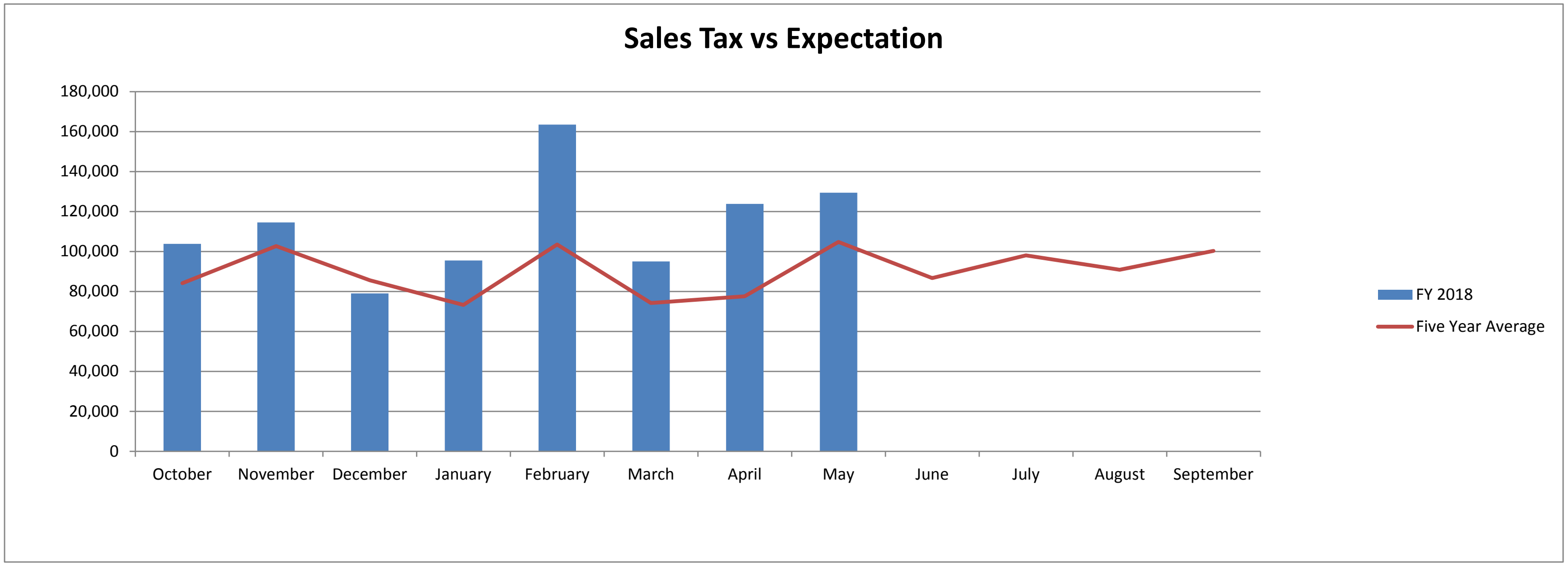
**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | Sales Tax Update May | Sales Tax Update May.pdf |
| 2. | 2018_05 Monthly Financials | 2018_05 Monthly Financials.pdf |

# Sales Tax By Month

| Year | October | November | December | January | February | March | April | May | June | July | August | September | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY2018 | $ 103,820 | $ 114,506 | $ 86,956 | $ 95,425 | $ 163,502 | $ 95,017 | $ 123,760 | $ 129,363 | | | | | $ 912,348 |
| FY2017 | $ 88,748 | $ 116,156 | $ 81,855 | $ 88,956 | $ 105,794 | $ 78,644 | $ 87,130 | $ 100,121 | $ 80,241 | $ 100,943 | $ 49,590 | $ 86,549 | $ 1,064,725 |
| FY2016 | $ 93,137 | $ 119,137 | $ 97,985 | $ 75,878 | $ 116,006 | $ 87,589 | $ 79,516 | $ 114,543 | $ 83,718 | $ 84,586 | $ 87,693 | $ 91,377 | $ 1,131,165 |
| FY2015 | $ 71,955 | $ 94,438 | $ 82,545 | $ 73,782 | $ 107,571 | $ 72,312 | $ 81,193 | $ 119,350 | $ 128,463 | $ 165,756 | $ 146,297 | $ 177,697 | $ 1,321,359 |
| FY2014 | $ 65,971 | $ 89,600 | $ 94,982 | $ 67,373 | $ 97,781 | $ 69,685 | $ 79,236 | $ 93,957 | $ 77,496 | $ 71,927 | $ 86,597 | $ 67,978 | $ 962,584 |
| FY2013 | $ 100,850 | $ 93,890 | $ 70,338 | $ 60,406 | $ 90,009 | $ 62,374 | $ 60,955 | $ 96,061 | $ 63,409 | $ 67,304 | $ 83,919 | $ 78,075 | $ 927,591 |
| FY2012 | $ 94,619 | $ 111,587 | $ 115,048 | $ 89,778 | $ 92,977 | $ 73,453 | $ 111,689 | $ 123,691 | $ 73,106 | $ 122,489 | $ 80,038 | $ 82,836 | $ 1,171,313 |
| | *Net payment after correcting an audit error. | | | | | | | | | | | | $ - |




| Industry | Amount | % Change | Adjusted Chang | YTD | FYTD |
|---|---|---|---|---|---|
| General Services | $40,149.47 | 74.50% | 17.42% | $125,203.25 | $203,132.10 |
| Retail | $27,815.32 | -1.45% | 4.53% | $124,078.42 | $192,171.17 |
| Wholesale | $17,336.13 | -7.51% | 14.58% | $101,900.21 | $159,015.64 |
| Professional Services | $15,956.70 | -3.26% | 7.90% | $78,703.28 | $127,715.84 |
| Agricultural | $11,304.22 | 2899.16% | 47.90% | $27,682.64 | $37,402.10 |
| Manufacturing | $7,364.75 | 109.18% | 6.01% | $105,558.36 | $121,571.76 |
| Food | $7,193.90 | 7.25% | -5.05% | $43,790.96 | $68,547.86 |
| Miscellaneous | $296.95 | 41.11% | -2.83% | $1,113.70 | $1,929.28 |
| Accomodation | $0.00 | 0.00% | 0.00% | $0.00 | $0.00 |

## REVENUE SUMMARY BY FUND

| REVENUES | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL EARNED | % OF CY BUDGET EARNED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|
| GENERAL FUND | $ 4,886,697 | $ 6,174,185 | $ 6,386,639 | $ 282,876 | $ 5,391,991 | 79.1% | 84.4% | $ 994,648 |
| OTHER GENERAL FUNDS | $ 605,323 | $ 1,621,385 | $ 973,127 | $ 51,562 | $ 418,763 | 37.3% | 43.0% | $ 554,364 |
| **GENERAL FUND** | **$ 5,492,020** | **$ 7,795,570** | **$ 7,359,766** | **$ 334,438** | **$ 5,810,754** | **70.5%** | **79.0%** | **$ 1,549,012** |
| | | | | | | | | $ - |
| **GENERAL DEBT SERVICE FUND** | **$ 1,233,573** | **$ 1,453,154** | **$ 1,665,934** | **$ 9,351** | **$ 1,347,907** | **84.9%** | **80.9%** | **$ 318,027** |
| | | | | | | | | $ - |
| WATER/SEWER FUND | $ 2,861,752 | $ 4,950,455 | $ 4,479,449 | $ 429,040 | $ 2,846,167 | 57.8% | 63.5% | $ 1,633,282 |
| STORMWATER UTILITY FUND | $ 262,776 | $ 463,360 | $ 256,664 | $ 22,265 | $ 175,385 | 56.7% | 68.3% | $ 81,279 |
| WATER IMPACT FUND | $ 101,048 | $ 152,432 | $ 120,450 | $ 18,870 | $ 122,740 | 66.3% | 101.9% | $ (2,290) |
| SEWER IMPACT FUND | $ 21,302 | $ 41,762 | $ 28,625 | $ 10,625 | $ 65,911 | 51.0% | 230.3% | $ (37,286) |
| **WATER/SEWER FUND** | **$ 3,246,878** | **$ 5,608,009** | **$ 4,885,188** | **$ 480,800** | **$ 3,210,203** | **57.9%** | **65.7%** | **$ 1,674,985** |
| **EDC4B FUND** | **$ 303,141** | **$ 522,549** | **$ 575,878** | **$ 58,534** | **$ 676,328** | **58.0%** | **117.4%** | **$ (100,450)** |
| **CAPITAL FUND** | **$ 78,160** | **$ 193,473** | **$ 162,535** | **$ 21,862** | **$ 119,824** | **40.4%** | **73.7%** | **$ 42,711** |
| **SPECIAL REVENUE FUND** | **$ 93,594** | **$ 95,393** | **$ 25,067** | **$ 2,430** | **$ 4,180** | **98.1%** | **16.7%** | **$ 20,887** |
| **TOTAL REVENUES** | **$ 10,447,366** | **$ 15,668,147** | **$ 14,674,368** | **$ 907,415** | **$ 11,169,196** | **66.7%** | **76.1%** | **$ 3,505,172** |

## EXPENDITURE SUMMARY BY FUND

| EXPENDITURES | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY BUDGET EXPENSED | % OF CY BUDGET EXPENSED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|
| GENERAL FUND | $ 3,845,259 | $ 6,195,408 | $ 6,453,680 | $ 473,115 | $ 3,990,163 | 62.1% | 61.8% | $ 2,463,517 |
| OTHER GENERAL FUND | $ 1,046,706 | $ 1,820,470 | $ 920,034 | $ 94,522 | $ 543,836 | 57.5% | 59.1% | $ 376,198 |
| **GENERAL FUND** | **$ 4,891,965** | **$ 8,015,879** | **$ 7,373,714** | **$ 567,637** | **$ 4,533,999** | **61.0%** | **61.5%** | **$ 2,839,715** |
| **GENERAL DEBT SERVICE FUND** | **$ 1,197,255** | **$ 1,423,034** | **$ 1,663,884** | **$ 20,414** | **$ 1,309,368** | **84.1%** | **78.7%** | **$ 354,516** |
| WATER/SEWER FUND | $ 2,392,142 | $ 4,244,829 | $ 4,258,316 | $ 321,325 | $ 2,472,891 | 56.4% | 58.1% | $ 1,785,425 |
| STORMWATER UTILITY FUND | $ 133,228 | $ 52,571 | $ 271,303 | $ 11,475 | $ 93,235 | 253.4% | 34.4% | $ 178,068 |
| WATER IMPACT FUND | $ - | $ 154,415 | $ 153,573 | $ - | $ - | | 0.0% | $ 153,573 |
| SEWER IMPACT FUND | $ - | $ 60,000 | $ 60,000 | $ - | $ - | | 0.0% | $ 60,000 |
| **WATER/SEWER FUND** | **$ 2,525,370** | **$ 4,511,814** | **$ 4,743,192** | **$ 332,800** | **$ 2,566,126** | **56.0%** | **54.1%** | **$ 2,177,066** |
| **EDC4B FUND** | **$ 474,249** | **$ 604,408** | **$ 592,963** | **$ 47,650** | **$ 609,176** | **78.5%** | **102.7%** | **$ (16,213)** |
| **CAPITAL FUND** | **$ 89,829** | **$ 168,210** | **$ 175,170** | **$ 185** | **$ 7,478** | **53.4%** | **4.3%** | **$ 167,692** |
| **SPECIAL REVENUE FUND** | **$ 94,361** | **$ 104,097** | **$ 22,984** | **$ -** | **$ 9,971** | **90.6%** | **43.4%** | **$ 13,013** |
| **TOTAL EXPENDITURES** | **$ 9,273,029** | **$ 14,827,443** | **$ 14,571,907** | **$ 968,686** | **$ 9,036,118** | **62.5%** | **62.0%** | **$ 5,535,789** |

## EXPENDITURE SUMMARY BY DEPARTMENT

| GENERAL FUND | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL EXPENSED | % OF CY BUDGET EXPENSED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|
| CITY MANAGER | $ 232,987 | $ 356,066 | $ 352,423 | $ 54,846 | $ 260,454 | 65.4% | 73.9% | $ 91,969 |
| MAYOR/CITY COUNCIL | $ 70,177 | $ 129,553 | $ 115,113 | $ 9,064 | $ 89,728 | 54.2% | 77.9% | $ 25,385 |
| CITY SECRETARY | $ 92,378 | $ 152,017 | $ 144,246 | $ 9,467 | $ 85,892 | 60.8% | 59.5% | $ 58,354 |
| MUNICIPAL COURT | $ 66,571 | $ 110,036 | $ 128,197 | $ 10,010 | $ 71,498 | 60.5% | 55.8% | $ 56,699 |
| HUMAN RESOURCES | $ 81,087 | $ 110,036 | $ 128,583 | $ 9,908 | $ 89,746 | 73.7% | 69.8% | $ 38,837 |
| FINANCE | $ 207,547 | $ 293,954 | $ 301,564 | $ 33,120 | $ 246,346 | 70.6% | 81.7% | $ 55,218 |
| POLICE | $ 1,401,351 | $ 2,190,318 | $ 2,405,689 | $ 128,878 | $ 1,409,777 | 64.0% | 58.6% | $ 995,912 |
| FIRE | $ 1,070,391 | $ 1,679,349 | $ 1,835,873 | $ 157,015 | $ 1,124,589 | 63.7% | 61.3% | $ 711,284 |
| COMMUNITY DEVELOPMENT | $ 182,418 | $ 305,758 | $ 341,663 | $ 23,160 | $ 156,681 | 59.7% | 45.9% | $ 184,982 |
| SENIOR CITIZEN CENTER | $ 29,102 | $ 66,084 | $ 51,439 | $ 3,297 | $ 30,553 | 44.0% | 59.4% | $ 20,886 |
| LIBRARY | $ 168,162 | $ 284,790 | $ 258,031 | $ 22,018 | $ 167,982 | 59.0% | 65.1% | $ 90,049 |
| NONDEPARTMENTAL | $ 243,087 | $ 504,400 | $ 390,859 | $ 12,332 | $ 256,900 | 48.2% | 65.7% | $ 133,959 |
| **TOTAL EXPENDITURES** | **$ 3,845,258** | **$ 6,182,361** | **$ 6,453,680** | **$ 473,115** | **$ 3,990,146** | **62.2%** | **61.8%** | **$ 2,463,534** |

| WATER/SEWER FUND | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY BUDGET EXPENSED | % OF CY BUDGET EXPENSED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|
| UTILITY BILLING | $ 583,030 | $ 1,011,907 | $ 1,237,043 | $ 219,914 | $ 695,245 | 57.6% | 56.2% | $ 541,798 |
| WATER OPERATIONS | $ 775,210 | $ 1,043,692 | $ 1,649,405 | $ 69,406 | $ 913,091 | 74.3% | 55.4% | $ 736,314 |
| DEBT | $ 461,034 | $ 271,274 | $ 677,361 | $ - | $ 464,750 | 170.0% | 68.6% | $ 212,611 |
| W&S CAPITAL | $ 49,077 | $ 181,782 | $ 39,796 | $ - | $ 2,765 | | 6.9% | $ 37,031 |
| NONDEPARTMENTAL | $ 523,791 | $ 1,736,173 | $ 654,711 | $ 32,005 | $ 397,041 | 30.2% | 60.6% | $ 257,670 |
| **TOTAL EXPENDITURES** | **$ 2,392,142** | **$ 4,244,827** | **$ 4,258,316** | **$ 321,325** | **$ 2,472,892** | **56.4%** | **58.1%** | **$ 1,785,424** |

| STREET IMPROVEMENT FUND | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY BUDGET EXPENSED | % OF CY BUDGET EXPENSED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|
| STREETS | $ 417,657 | $ 728,593 | $ 698,143 | $ 57,133 | $ 377,325 | 57.3% | 54.0% | $ 320,818 |
| PARKS MAINTENANCE | $ 50,025 | $ 82,981 | $ 161,368 | $ 7,889 | $ 42,846 | 60.3% | 26.6% | $ 118,522 |
| CAPITAL | $ 281,935 | $ 331,716 | $ 60,523 | $ - | $ 32 | | 0.1% | $ 60,491 |
| **TOTAL EXPENDITURES** | **$ 749,617** | **$ 1,143,290** | **$ 920,034** | **$ 65,022** | **$ 420,203** | **65.6%** | **45.7%** | **$ 499,831** |

| EDC4B FUNDS | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY BUDGET EXPENSED | % OF CY BUDGET EXPENSED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|
| ADMINISTRATION | $ 136,325 | $ 192,298 | $ 195,517 | $ 16,269 | $ 87,464 | 70.9% | 44.7% | $ 108,053 |
| DEBT SERVICE | $ 305,358 | $ 234,250 | $ 322,365 | $ - | $ 225,613 | 130.4% | 70.0% | $ 96,752 |
| TOWN SHOPPING CENTER | $ 31,487 | $ 75,209 | $ 45,362 | $ 14,281 | $ 132,737 | 41.9% | 292.6% | $ (87,375) |
| TOWNCENTER REDEVELOPMENT | $ 1,080 | $ 12,653 | $ - | $ 17,100 | $ 163,362 | | #DIV/0! | $ (163,362) |
| **TOTAL EXPENDITURES** | **$ 474,250** | **$ 514,408** | **$ 563,244** | **$ 47,650** | **$ 609,176** | **92.2%** | **108.2%** | **$ (45,932)** |

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** MONITORING INFORMATION - B.

---

**I. Subject:**
Monthly EDC Financials and Activity Report

**II. Originated by:**

Brady Olsen, Finance Director

**III. Summary:**
Reports from the previous EDC meeting are attached for your reference.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 2018_04+Monthly+Financials+-+EDC | 2018_04+Monthly+Financials+-+EDC.pdf |
| 2. | Sales+Tax+Update-EDC+April | Sales+Tax+Update-EDC+April.pdf |

# ECONOMIC DEVELOPMENT CORPORATION FINANCIALS SUMMARY

## Budget Amendment

## Monthly Information

1. $41,253 Sales Tax continues to outperform expectations, partially due to new business coming on the books
2. Close to closing a new tenant in to finish out Building One.
3. Made largest portion of our annual debt payment
4. Paid first part of building one renovation
5. Extremely low cash position, further new spending is not recommended

Rental Fees, MMD Tax and Rental Insurance are reported on the Accrual Basis of Accounting, while all other revenues and expenditures are reported on the Cash Basis. This procedure has been in effect for several years, but can be changed should the Board wish.

Brady Olsen
Finance Director

**ADDITIONAL INFORMATION**

FUND 15- OPERATING FUND (ALL BILLS AND REVENUE RECEIVED IN THIS FUND)
FUND 19- CAPITAL BOND FUND (REMAINING CAPITAL MONEY)
FUND 95- RESERVE FUND FOR DEBT REQUIREMENTS

## EDC CASH POSITION

| CATEGORY | DESCRIPTION | | FY17-18 YTD |
|---|---|---|---|
| **FROM PREVIOUS MONTHS REPORT:** | | | |
| BEGINNING CASH BALANCE - FUND 15 | (Operating Cash) | $ | 227,595 |
| BEGINNING TEXPOOL BALANCE - FUND 15 | (Operating Investments) | $ | - |
| BEGINNING TEXPOOL BALANCE - FUND 19 | (Unspent bond proceeds) | $ | 29,920 |
| BEGINNING CASH BALANCE - FUND 95 | (Required reserves) | $ | 121,141 |
| **BEGINNING CASH BALANCE - TOTAL** | | **$** | **378,656** |
| **BEGINNING AVAILABLE CASH - TOTAL** | | | **106,595** |
| **TOTAL REVENUES MINUS EXPENDITURES FOR MONTH** | | $ | (147,982) * |
| ENDING CASH BALANCE - FUND 15 | (Operating Cash) | $ | 80,582 |
| ENDING TEXPOOL BALANCE - FUND 15 | (Operating Investments) | $ | - |
| ENDING TEXPOOL BALANCE - FUND 19 | (Unspent bond proceeds) | $ | 29,959 |
| ENDING CASH BALANCE - FUND 95 | (Required reserves) | $ | 121,248 |
| **ENDING CASH BALANCE - TOTAL** | | **$** | **231,789** |
| **UNAVAILABLE CASH - EARMARKED** | | | |
| COMMITTED TO BUILDING ONE RENOVATION | | $ | 60,500 |
| 2010 $2.0M BOND SALE REMAINING CASH | (Unspent bond proceeds) | $ | 29,959 |
| RESERVES FOR LEVERAGE NOTE | (Required reserves) | $ | 121,248 |
| **TOTAL UNAVAILABLE CASH** | | **$** | **211,707** |
| **AVAILABLE CASH** | | **$** | **20,082** |

*Due to prior period adjustments, beginning cash balance plus monthly income will not always be an exact match for ending cash balance

**COMBINED EDC4B FUNDS SUMMARY**

| CATEGORY | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **$ 313,866** | **$ 313,866** | **$ 134,784** | | **$ 302,131** | | | |
| AD VALOREM TAXES | 2,360 | 2,360 | 35,000 | - | - | 100.0% | 0.0% | 35,000 |
| SALES/BEVERAGE TAXES | 148,588 | 361,319 | 373,835 | 41,253 | 186,395 | 41.1% | 49.9% | 187,440 |
| INVESTMENT EARNINGS | 368 | 790 | 65 | 455 | 2,263 | 46.5% | 3482.0% | (2,198) |
| MISCELLANEOUS INCOME | 55,092 | 76,716 | 45,120 | 762 | 24,758 | 71.8% | 54.9% | 20,362 |
| SURPLUS SALES/RENTALS | 53,385 | 82,071 | 121,858 | 12,102 | 403,561 | 65.0% | 331.2% | (281,703) |
| TRANSFERS | - | - | 29,719 | - | - | 0.0% | 0.0% | - |
| **TOTAL REVENUES** | **$ 259,793** | **$ 523,257** | **$ 605,597** | **$ 54,573** | **$ 616,977** | **49.6%** | **101.9%** | **$ (41,099)** |
| SUPPLIES | - | - | 2,100 | - | - | #DIV/0! | 0.0% | 2,100 |
| MAINTENANCE | 11,531 | 44,464 | 25,112 | 9,758 | 103,017 | 25.9% | 410.2% | (77,905) |
| SUNDRY | 110,724 | 201,042 | 213,667 | 4,870 | 79,830 | 55.1% | 37.4% | 133,837 |
| DEBT | 145,859 | 169,431 | 169,777 | 97,134 | 158,026 | 86.1% | 93.1% | 11,751 |
| TRANSFERS | 154,819 | 154,819 | 182,307 | 33,794 | 67,588 | 100.0% | 37.1% | 114,720 |
| CAPITAL | 2,354 | 14,621 | - | 57,000 | 168,262 | 16.1% | #DIV/0! | (168,262) |
| **TOTAL EXPENDITURES** | **$ 425,287** | **$ 584,377** | **$ 592,963** | **$ 202,555** | **$ 576,722** | **72.8%** | **97.3%** | **$ 16,241** |
| REVENUES OVER EXPENDITURES | $ (165,495) | $ (61,120) | $ 12,634 | $ (147,982) | $ 40,256 | | | |
| **ENDING FUND BALANCE** | **$ 148,371** | **$ 252,746** | **$ 147,418** | | **$ 342,386** | | | |
| **FUND BALANCE AS % OF EXP** | **34.9%** | **43.3%** | **24.9%** | **0.0%** | **59.4%** | | | |
| RESERVE ($115,000) REQUIREMENT) | $ - | $ - | $ 115,000 | $ - | $ - | | | |
| **RESERVE SURPLUS/(SHORTFALL)** | **$ 148,371** | **$ 252,746** | **$ 32,418** | **$ -** | **$ 342,386** | | | |

**15: EDC4B FUND**

| CATEGORY | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **$ 164,460** | **$ 164,460** | **$ (15,517)** | | **$ 152,017** | | | |
| AD VALOREM TAXES | 2,360 | 2,360 | 35,000 | - | - | 100.0% | 0.0% | 35,000 |
| SALES/BEVERAGE TAXES | 148,588 | 361,319 | 373,835 | 41,253 | 186,395 | 41.1% | 49.9% | 187,440 |
| INVESTMENT EARNINGS | 68 | 82 | 65 | 307 | 1,425 | 83.3% | 2192.5% | (1,360) |
| MISCELLANEOUS INCOME | 55,092 | 76,716 | 45,120 | 762 | 24,758 | 71.8% | 54.9% | 20,362 |
| SURPLUS SALES/RENTALS | 53,385 | 82,071 | 121,858 | 12,102 | 403,561 | 65.0% | 331.2% | (281,703) |
| **TOTAL REVENUES** | **$ 259,494** | **$ 522,549** | **$ 575,878** | **$ 54,424** | **$ 616,139** | **49.7%** | **107.0%** | **$ (40,261)** |
| SUPPLIES | - | - | 2,100 | - | - | #DIV/0! | 0.0% | 2,100 |
| MAINTENANCE | 11,531 | 44,464 | 25,112 | 9,758 | 103,017 | 25.9% | 410.2% | (77,905) |
| SUNDRY | 110,724 | 201,042 | 213,667 | 4,870 | 79,830 | 55.1% | 37.4% | 133,837 |
| DEBT | 145,859 | 169,431 | 169,777 | 97,134 | 158,026 | 86.1% | 93.1% | 11,751 |
| TRANSFERS | 154,819 | 154,819 | 152,588 | 33,794 | 67,588 | 100.0% | 44.3% | 85,001 |
| CAPITAL | 2,354 | 14,621 | - | 57,000 | 168,262 | 16.1% | #DIV/0! | (168,262) |
| **TOTAL EXPENDITURES** | **$ 425,287** | **$ 584,377** | **$ 563,244** | **$ 202,555** | **$ 576,722** | **72.8%** | **102.4%** | **$ (13,478)** |
| REVENUES OVER EXPENDITURES | $ (165,794) | $ (61,828) | $ 12,634 | $ (148,131) | $ 39,418 | | | |
| **ENDING FUND BALANCE** | **$ (1,334)** | **$ 152,017** | **$ (2,883)** | | **$ 191,434** | | | |
| **FUND BALANCE AS % OF EXP** | **-0.3%** | **26.0%** | **-0.5%** | **0.0%** | **33.2%** | | | |
| RESERVE (NO REQUIREMENT) | $ - | $ - | $ - | $ - | $ - | | | |
| **RESERVE SURPLUS/(SHORTFALL)** | **$ (1,334)** | **$ 152,017** | **$ (2,883)** | **$ -** | **$ 191,434** | | | |

**15: EDC4B FUND**

| ACCOUNT | ACCOUNT NAME | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|---|
| 4002-00-00 | MMD TAX-CURRENT YEAR | 2,360 | 2,360 | 35,000 | - | - | 100.0% | 0.0% | 35,000 |
| | **AD VALOREM TAXES** | **$ 2,360** | **$ 2,360** | **$ 35,000** | **$ -** | **$ -** | **100.0%** | **0.0%** | **$ 35,000** |
| 4081-00-00 | SALES TAX | 148,588 | 361,319 | 373,835 | 41,253 | 186,395 | 41.1% | 49.9% | 187,440 |
| | **SALES/BEVERAGE TAXES** | **$ 148,588** | **$ 361,319** | **$ 373,835** | **$ 41,253** | **$ 186,395** | **41.1%** | **49.9%** | **$ 187,440** |
| 4401-00-00 | INVESTMENT INCOME | 68 | 82 | 65 | 307 | 1,425 | 83.3% | 2192.5% | (1,360) |
| | **INVESTMENT EARNINGS** | **$ 68** | **$ 82** | **$ 65** | **$ 307** | **$ 1,425** | **83.3%** | **2192.5%** | **$ (1,360)** |
| 4409-00-00 | MISCELLANEOUS INCOME | 55,092 | 76,716 | 45,120 | 762 | 24,758 | 71.8% | 54.9% | 20,362 |
| | **MISCELLANEOUS INCOME** | **$ 55,092** | **$ 76,716** | **$ 45,120** | **$ 762** | **$ 24,758** | **71.8%** | **54.9%** | **$ 20,362** |
| 4805-00-00 | RENTAL FEES-SHOPPING CENTER | 53,024 | 81,710 | 121,112 | 12,102 | 54,382 | 64.9% | 44.9% | 66,730 |
| 4806-00-00 | RENTAL INSURANCE | 361 | 361 | 746 | - | - | 100.0% | 0.0% | 746 |
| 4884-00-01 | SALE OF ASSETS | - | - | - | - | 349,179 | #DIV/0! | #DIV/0! | (349,179) |
| | **SURPLUS SALES/RENTALS** | **$ 53,385** | **$ 82,071** | **$ 121,858** | **$ 12,102** | **$ 403,561** | **#DIV/0!** | **#DIV/0!** | **$ (281,703)** |
| | **TOTAL REVENUES** | **$ 259,494** | **$ 522,549** | **$ 575,878** | **$ 54,424** | **$ 616,139** | **49.7%** | **107.0%** | **$ (40,261)** |
| | **TOTAL REVENUES (EXCLUDING INTEREST/TRANSFERS)** | **$ 259,425** | **$ 522,467** | **$ 575,813** | **$ 54,118** | **$ 614,714** | | | |
| | 10% ADMIN CHARGE-GENERAL FUND | 25,943 | 52,247 | 57,581 | 5,412 | 61,471 | | | |

**15: EDC4B FUND**
**01: ADMINISTRATION**

| ACCOUNT | ACCOUNT NAME | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|---|
| 5240-01-00 | PRINTED SUPPLIES | - | - | 2,000 | - | - | #DIV/0! | 0.0% | 2,000 |
| 5260-01-00 | GENERAL OFFICE SUPPLIES | - | - | 50 | - | - | 0.0% | 0.0% | 50 |
| 5261-01-00 | POSTAGE | - | - | 50 | - | - | 0.0% | 0.0% | 50 |
| | **SUPPLIES** | **$ -** | **$ -** | **$ 2,100** | **$ -** | **$ -** | **#DIV/0!** | **0.0%** | **$ 2,100** |
| 5501-01-00 | ADVERTISING | - | 390 | 1,200 | - | - | 0.0% | 0.0% | 1,200 |
| 5510-01-00 | ASSOC DUES/PUBLICATIONS | - | 4,855 | 5,320 | - | - | 0.0% | 0.0% | 5,320 |
| 5512-01-00 | CONTRACTUAL SERVICES | - | | | | | | | |
| 5525-01-00 | TRAINING/SEMINARS | - | 175 | 250 | - | - | 0.0% | 0.0% | 250 |
| 5565-01-00 | LEGAL SERVICES | 5,750 | 17,252 | 10,000 | 1,758 | 5,958 | 33.3% | 59.6% | 4,042 |
| 5567-01-00 | AUDIT SERVICES | 2,250 | 2,250 | 2,250 | 2,000 | 4,250 | 100.0% | 188.9% | (2,000) |
| 5570-01-00 | SPECIAL SERVICES | 51,145 | 81,145 | 68,650 | - | 5,700 | 63.0% | 8.3% | 62,950 |
| 5574-01-00 | FILING FEES | 40 | 40 | | | - | | | - |
| 5578-01-00 | TRAVEL | - | - | 100 | - | - | 0.0% | 0.0% | 100 |
| 5580-01-00 | ENGINEERING SERVICES | 1,903 | 2,128 | - | - | - | 89.4% | #DIV/0! | - |
| 5595-01-00 | ADMIN CHARGE-GENERAL FUND | 25,943 | 44,926 | 81,647 | - | 40,823 | 57.7% | 50.0% | 40,824 |
| 5615-01-00 | FUNCTIONAL GRANT | 6,770 | 17,137 | 24,000 | - | 7,660 | 39.5% | 31.9% | 16,340 |
| | **SUNDRY** | **$ 93,839** | **$ 170,298** | **$ 193,417** | **$ 3,758** | **$ 64,391** | **55.1%** | **33.3%** | **$ 129,026** |
| 5800-01-00 | LAND | 1,274 | 1,968 | - | - | 22,000 | 64.7% | 0.0% | (22,000) |
| 5813-01-00 | KENNEDALE ENTRANCE SIGN | - | - | - | - | - | 0.0% | 0.0% | - |
| 5820-01-00 | BUILDING IMPROVEMENT | - | - | - | - | - | 0.0% | 0.0% | - |
| 5875-01-00 | CONSTRUCTION | - | - | - | - | - | 0.0% | 0.0% | - |
| | **CAPITAL** | **$ 1,274** | **$ 1,968** | **$ -** | **$ -** | **$ 22,000** | **64.7%** | **#DIV/0!** | **$ (22,000)** |
| | **TOTAL EXPENDITURES** | **$ 95,113** | **$ 172,266** | **$ 195,517** | **$ 3,758** | **$ 86,391** | **55.2%** | **44.2%** | **$ 109,126** |

**15: EDC4B FUND**
**01: ADMINISTRATION**
**03: DEBT SERVICE**

| ACCOUNT | ACCOUNT NAME | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY BUDGET USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|---|
| 5643-01-03 | 2007 $1.2M TAX BOND-INTEREST | 58,689 | 58,689 | 54,905 | 27,453 | 54,831 | 100.0% | 99.9% | 74 |
| 5644-01-03 | 2007 $1.2M TAX BOND-PRINCIPAL | 55,000 | 55,000 | 60,000 | 60,000 | 60,000 | 100.0% | 100.0% | - |
| 5645-01-03 | 2011 $1.7M TX LEVERAGE-INT | 9,060 | 15,879 | 14,278 | 3,154 | 13,244 | 57.1% | 92.8% | 1,034 |
| 5646-01-03 | 2011 $1.7M TX LEVERAGE-PRI | 23,111 | 39,863 | 40,594 | 6,527 | 29,951 | 58.0% | 73.8% | 10,643 |
| | **DEBT** | **$ 145,859** | **$ 169,431** | **$ 169,777** | **$ 97,134** | **$ 158,026** | **86.1%** | **93.1%** | **$ 11,751** |
| 5702-01-03 | TRANSFER OUT-DEBT SERVICE FUND | 154,819 | 154,819 | 152,588 | 33,794 | 67,588 | 100.0% | 44.3% | 85,001 |
| | **TRANSFER** | **$ 154,819** | **$ 154,819** | **$ 152,588** | **$ 33,794** | **$ 67,588** | **100.0%** | **44.3%** | **$ 85,001** |
| | **TOTAL EXPENDITURES** | **$ 300,678** | **$ 324,250** | **$ 322,365** | **$ 130,927** | **$ 225,613** | **92.7%** | **70.0%** | **$ 96,752** |

**15: EDC4B FUND**
**02: TOWN SHOPPING CENTER**

| ACCOUNT | ACCOUNT NAME | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|---|
| 5403-02-00 | BUILDING MAINTENANCE | 11,531 | 44,464 | 25,112 | 9,758 | 103,017 | 25.9% | 410.2% | (77,905) |
| | **MAINTENANCE** | **$ 11,531** | **$ 44,464** | **$ 25,112** | **$ 9,758** | **$ 103,017** | **25.9%** | **410.2%** | **$ (77,905)** |
| 5530-02-00 | ELECTRIC SERVICES | 3,497 | 5,924 | 6,700 | 611 | 3,457 | 59.0% | 51.6% | 3,243 |
| 5545-02-00 | INSURANCE-PROPERTY | 6,507 | 6,507 | 6,500 | - | 8,341 | 100.0% | 128.3% | (1,841) |
| 5570-02-00 | SPECIAL SERVICES | 6,880 | 18,312 | 7,050 | 500 | 3,641 | 37.6% | 51.6% | 3,409 |
| | **SUNDRY** | **$ 16,885** | **$ 30,744** | **$ 20,250** | **$ 1,111** | **$ 15,438** | **54.9%** | **76.2%** | **$ 4,812** |
| | **TOTAL EXPENDITURES** | **$ 28,416** | **$ 75,209** | **$ 45,362** | **$ 10,869** | **$ 118,455** | **37.8%** | **261.1%** | **$ (73,093)** |

**15: EDC4B FUND**
**03: TOWN CENTER REDEVELOPMENT**

| ACCOUNT | ACCOUNT NAME | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|---|
| 5580-03-00 | ENGINEERING SERVICES | - | 2,573 | - | - | - | 0.0% | #DIV/0! | - |
| 5847-03-00 | CONSTRUCTION | 1,080 | 10,080 | - | 57,000 | 146,262 | 0.0% | #DIV/0! | (146,262) |
| | **CAPITAL** | **$ 1,080** | **$ 12,653** | **$ -** | **$ 57,000** | **#######** | **0.0%** | **#DIV/0!** | **$ (146,262)** |
| | **TOTAL EXPENDITURES** | **$ 1,080** | **$ 12,653** | **$ -** | **$ 57,000** | **#######** | **0.0%** | **#DIV/0!** | **$ (146,262)** |

**15: EDC4B FUND**
**04: TEXAS LEVERAGE PROGRAM**

| ACCOUNT | ACCOUNT NAME | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|---|
| 5800-04-00 | LAND | - | - | - | - | - | #DIV/0! | 0.0% | - |
| | **CAPITAL** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **#DIV/0!** | **0.0%** | **$ -** |
| | **TOTAL EXPENDITURES** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **#DIV/0!** | **0.0%** | **$ -** |

## 19: EDC4B CAPITAL BOND FUND

| CATEGORY | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **$ 29,444** | **$ 29,444** | **$ 29,719** | | **$ 29,649** | | | |
| INVESTMENT EARNINGS | 90 | 205 | - | 41 | 225 | 43.8% | #DIV/0! | (225) |
| **TOTAL REVENUES** | **$ 90** | **$ 205** | **$ -** | **$ 41** | **$ 225** | **43.8%** | **#DIV/0!** | **$ (225)** |
| TRANSFERS | - | - | 29,719 | - | - | 0.0% | 0.0% | - |
| CAPITAL | - | - | - | - | - | 0.0% | 0.0% | - |
| **TOTAL EXPENDITURES** | **$ -** | **$ -** | **$ 29,719** | **$ -** | **$ -** | **0.0%** | **0.0%** | **$ -** |
| REVENUES OVER EXPENDITURES | $ 90 | $ 205 | $ (29,719) | $ 41 | $ 225 | | | |
| **ENDING FUND BALANCE** | **$ 29,534** | **$ 29,649** | **$ 0** | | **$ 29,874** | | | |
| **FUND BALANCE AS % OF EXP** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | | | |
| RESERVE (NO REQUIREMENT) | $ - | $ - | $ - | $ - | $ - | | | |
| **RESERVE SURPLUS/(SHORTFALL)** | **$ 29,534** | **$ 29,649** | **$ 0** | **$ -** | **$ 29,874** | | | |

**19: EDC4B CAPITAL BOND FUND**

| ACCOUNT | ACCOUNT NAME | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|---|
| 4401-00-00 | INVESTMENT INCOME | 90 | 205 | - | 41 | 225 | 43.8% | #DIV/0! | (225) |
| | **INVESTMENT EARNINGS** | **$ 90** | **$ 205** | **$ -** | **$ 41** | **$ 225** | **43.8%** | **#DIV/0!** | **$ (225)** |
| | **TOTAL REVENUES** | **$ 90** | **$ 205** | **$ -** | **$ 41** | **$ 225** | **43.8%** | **#DIV/0!** | **$ (225)** |

**19: EDC4B CAPITAL BOND FUND**
**01: TOWN CENTER REDEVELOPMENT**

| ACCOUNT | ACCOUNT NAME | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|---|
| 5580-01-00 | TRANSFER OUT | - | - | - | - | - | 0.0% | 0.0% | - |
| | **TRANSFERS** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **0.0%** | **0.0%** | **$ -** |
| 5800-01-00 | LAND | - | - | - | - | - | 0.0% | 0.0% | - |
| 5847-01-00 | CONSTRUCTION | - | - | - | - | - | 0.0% | 0.0% | - |
| | **CAPITAL** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **0.0%** | **0.0%** | **$ -** |
| | **TOTAL EXPENDITURES** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **0.0%** | **0.0%** | **$ -** |

**95: EDC4B RESERVE FUND**

| CATEGORY | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY ACTUAL USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **$ 119,962** | **$ 119,962** | **$ 120,582** | | **$ 120,464** | | | |
| INVESTMENT EARNINGS | 209 | 502 | - | 107 | 613 | 41.6% | #DIV/0! | (613) |
| **TOTAL REVENUES** | **$ 209** | **$ 502** | **$ -** | **$ 107** | **$ 613** | **41.6%** | **#DIV/0!** | **$ (613)** |
| **TOTAL EXPENDITURES** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **0.0%** | **0.0%** | **$ -** |
| REVENUES OVER EXPENDITURES | $ 209 | $ 502 | $ - | $ 107 | $ 613 | | | |
| **ENDING FUND BALANCE** | **$ 120,171** | **$ 120,464** | **$ 120,582** | | **$ 121,078** | | | |
| **FUND BALANCE AS % OF EXP** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | | | |
| RESERVE ($112,606 REQUIREMENT) | $ 112,606 | $ 112,606 | $ 112,606 | $ 112,606 | $ 112,606 | | | |
| **RESERVE SURPLUS/(SHORTFALL)** | **$ 7,565** | **$ 7,858** | **$ 7,976** | **$ (112,606)** | **$ 8,472** | | | |

**95: EDC4B RESERVE FUND**

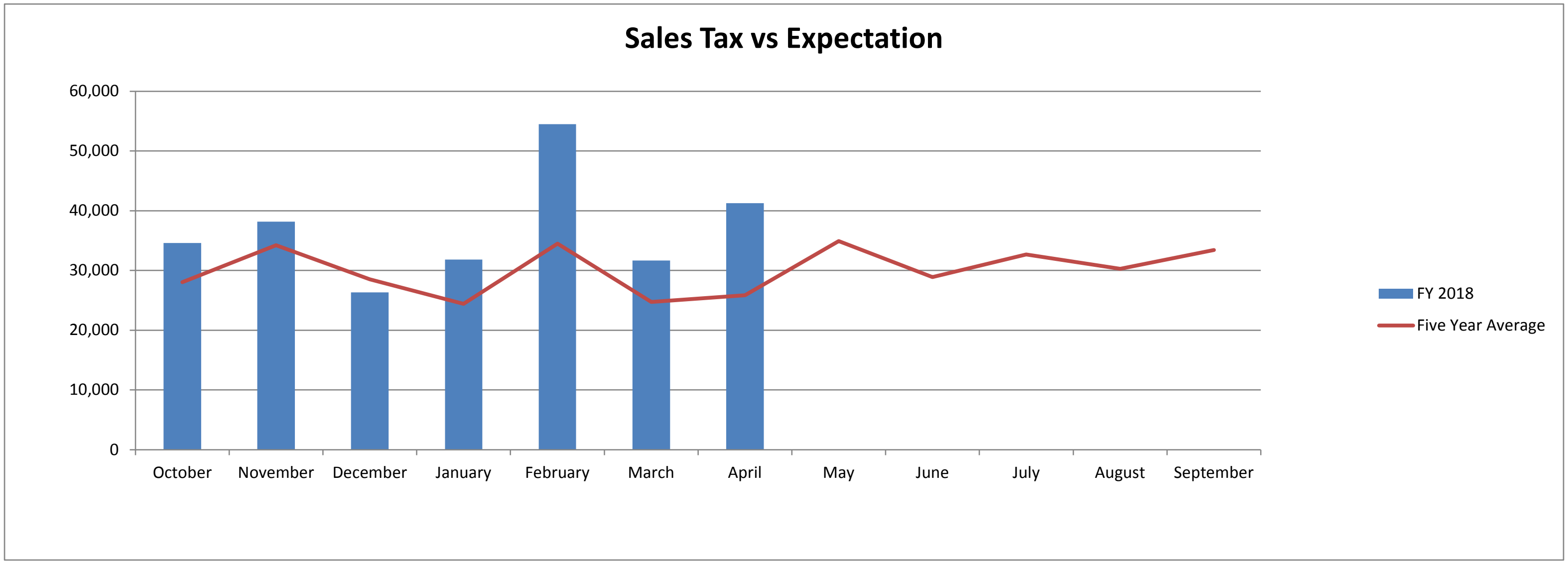
| ACCOUNT | ACCOUNT NAME | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY BUDGET USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|---|
| 4401-00-00 | INVESTMENT INCOME | 209 | 502 | - | 107 | 613 | 41.6% | #DIV/0! | (613) |
| | **INVESTMENT EARNINGS** | **$ 209** | **$ 502** | **$ -** | **$ 107** | **$ 613** | **41.6%** | **#DIV/0!** | **$ (613)** |
| | **TOTAL REVENUES** | **$ 209** | **$ 502** | **$ -** | **$ 107** | **$ 613** | **41.6%** | **#DIV/0!** | **$ (613)** |

**95: EDC4B RESERVE FUND**

| ACCOUNT | ACCOUNT NAME | FY16-17 YTD | FY16-17 ACTUAL | FY17-18 ADOPTED | CURRENT MONTH | FY17-18 YTD | % OF PY BUDGET USED | % OF CY BUDGET USED | BUDGET REMAINING |
|---|---|---|---|---|---|---|---|---|---|
| | **TRANSFERS** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **0.0%** | **0.0%** | **$ -** |
| | **TOTAL EXPENDITURES** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **0.0%** | **0.0%** | **$ -** |

# Sales Tax By Month

| Year | October | November | December | January | February | March | April | May | June | July | August | September | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY2018 | $ 34,607 | $ 38,169 | $ 28,985 | $ 31,808 | $ 54,501 | $ 31,672 | $ 41,253 | $ - | $ - | $ - | $ - | $ - | $ 86,998 |
| FY2017 | $ 29,583 | $ 38,719 | $ 27,285 | $ 29,652 | $ 35,265 | $ 26,215 | $ 29,043 | $ 33,374 | $ 26,747 | $ 33,648 | $ 16,530 | $ 28,850 | $ 118,303 |
| FY2016 | $ 31,046 | $ 39,712 | $ 32,662 | $ 25,293 | $ 38,669 | $ 29,196 | $ 26,505 | $ 38,181 | $ 27,906 | $ 28,195 | $ 29,231 | $ 30,459 | $ 125,685 |
| FY2015 | $ 23,985 | $ 31,479 | $ 27,515 | $ 24,594 | $ 35,857 | $ 24,104 | $ 27,064 | $ 39,783 | $ 42,821 | $ 55,252 | $ 48,766 | $ 59,232 | $ 146,818 |
| FY2014 | $ 21,990 | $ 29,867 | $ 31,661 | $ 22,458 | $ 32,594 | $ 23,228 | $ 26,412 | $ 31,319 | $ 25,832 | $ 23,976 | $ 28,866 | $ 22,659 | $ 106,954 |
| FY2013 | $ 33,617 | $ 31,297 | $ 23,446 | $ 20,135 | $ 30,003 | $ 20,791 | $ 20,318 | $ 32,020 | $ 21,136 | $ 22,435 | $ 27,973 | $ 26,025 | $ 103,066 |
| FY2012 | $ 31,540 | $ 37,196 | $ 38,349 | $ 29,926 | $ 30,992 | $ 24,484 | $ 37,230 | $ 41,230 | $ 24,369 | $ 40,830 | $ 26,679 | $ 27,612 | $ 130,146 |
| | *Net payment after correcting an audit error. | | | | | | | | | | | | $ - |




| Industry | Amount | % Change | Adjusted Chang | YTD | FYTD |
|---|---|---|---|---|---|
| Manufacturing | $ 13,154 | 374.61% | -29.52% | $ 43,642 | $ 50,759 |
| Retail | $ 8,440 | -4.98% | 39.16% | $ 42,784 | $ 73,055 |
| Wholesale | $ 8,271 | 17.43% | -81.76% | $ 37,584 | $ 62,969 |
| Agricultural | $ 7,070 | 132.10% | 0.00% | $ 7,279 | $ 11,599 |
| Professional Services | $ 6,911 | -4.98% | 9.32% | $ 27,887 | $ 49,671 |
| General Services | $ 6,877 | 8.44% | 9.51% | $ 37,802 | $ 72,442 |
| Food | $ 4,805 | 24.80% | -20.11% | $ 16,265 | $ 27,268 |
| Miscellaneous | $ 125 | 75.49% | -29.04% | $ 362 | $ 712 |
| Accomodation | $ - | 0.00% | 0.00% | $ - | $ - |

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## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - A.

**I. Subject:**
Consider approval of minutes from May 15, 2018 special meeting

**II. Originated by:**

Leslie Galloway, City Secretary & Communications Coordinator

**III. Summary:**
Please see the attached minutes for your approval.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 2018_05.15_Minutes_City Council Special Meeting_DRAFT_WM | 2018_05.15_Minutes_City Council Special Meeting_DRAFT_WM.pdf |

# *KENNEDALE CITY COUNCIL MINUTES*

**SPECIAL MEETING | MAY 15, 2018**
**CITY HALL COUNCIL CHAMBERS, 405 MUNICIPAL DRIVE**
**SPECIAL SESSION - 5:30 PM**

## I. CALL TO ORDER

Mayor Brian Johnson called the meeting to order at 5:30 p.m.

## II. ROLL CALL

**Present:** Mayor Johnson; Mayor Pro Tem Joplin, Place 5; Sandra Lee, Place 3
**Absent:** Rockie Gilley, Place 1; Liz Carrington, Place 2; Kelly Turner, Place 4.
***Staff:*** *City Manager George Campbell and City Secretary and Communications Coordinator Leslie Galloway*

Mayor Johnson noted that a quorum is not required, as the agenda items are all ministerial acts.

## III. ELECTION BUSINESS

A. Certification of official returns by the City Secretary

City Secretary Leslie Galloway stated that there were 1,248 votes cast in the Saturday, May 5, 2018 General Election, resulting in the following:

- With 628 votes, Brian Johnson is elected as Mayor (2018-2020)
*(His opponent, Jan Joplin, received 614 votes.)*
- With 674 votes, Chris Pugh is elected as Councilmember, Place 2 (2018-2020)
*(His opponent, Lary Adkins, received 509 votes.)*
- With 647 votes, Linda Rhodes is elected as Councilmember, Place 4 (2018-2020)
*(Her opponent, Timothy Brestowski, received 524 votes.)*
- As a result of Proposition A (Shall Sandra Lee be removed from office?), Lee shall retain her position as Councilmember Place 3 for the remainder of her elected term (2017-2019). *(There were 589 votes for "Yes"; and 630 votes for "No".)*
- As a result of the tabulations of Proposition B (Shall Jan Joplin be removed from office?), Joplin shall retain her position as Councilmember Place 5 for the remainder of her elected term (2017-2019). *(There were 561 votes for "Yes"; and 661 votes for "No".)*

**Motion To** Approve recording of these official election returns in page 72 of the City of Kennedale Election Register. **Action** Approve, **Moved By** Mayor Pro Tem Joplin, Seconded By Lee. **Motion passed Unanimously.**

B. Resolution 524, canvassing the returns and declaring the results of the general election held on May 5, 2018, for the purpose of electing the Mayor and Council Members Places 2 and 4 for the City of Kennedale and the propositions for the potential recall of Councilmembers Sandra Lee (Place 3) and Jan Joplin (Place 5)

**Motion To** Approve Resolution 524, canvassing the returns and declaring the results of the general election held on May 5, 2018. **Action** Approve, **Moved By** Mayor Pro Tem Joplin, Seconded By Lee. **Motion passed Unanimously.**

C. Oath of Office for Brian Johnson, Mayor, 2018-2020 term

D. Oath of Office for Chris Pugh, City Council Place 2, 2018-2020 term

E. Oath of Office for Linda Rhodes, City Council Place 4, 2018-2020 term

City Secretary Leslie Galloway administered the Oaths of Office for Chris Pugh and Linda Rhodes; and EDC President Robert Mundy then administered the Oath of Office for Mayor Brian Johnson. Each will serve a two-year term from 2018-2020. This is the first Council term for both Pugh (currently a P&Z Commissioner) and Rhodes; Johnson has served as Mayor since 2014, and has been on the Council since 2005.

## IV. ADJOURNMENT

Mayor Johnson adjourned the meeting at 5:37 p.m.

Immediately following adjournment, a reception was held at the banquet room attached to Dickey's Barbecue in TownCenter for newly elected and outgoing Councilmembers. A notice of a potential quorum of the City Council and each Advisory Board and Commission was posted for the event.

**APPROVED:**

_________________________________

*BRIAN JOHNSON, MAYOR*

**ATTEST:**

_________________________________

*LESLIE GALLOWAY, CITY SECRETARY*

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## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - B.

---

**I. Subject:**
Consider approval of minutes from May 21, 2018 regular meeting

**II. Originated by:**

Leslie Galloway, City Secretary & Communications Coordinator

**III. Summary:**
Please see the attached minutes for your approval.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 2018_05.21_Minutes_City Council Regular Meeting_DRAFT_WM | 2018_05.21_Minutes_City Council Regular Meeting_DRAFT_WM.pdf |

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# *KENNEDALE CITY COUNCIL MINUTES*

**REGULAR MEETING | May 21, 2018**
**CITY HALL COUNCIL CHAMBERS, 405 MUNICIPAL DRIVE**
**WORK SESSION - 5:30 PM | REGULAR SESSION - 7:00 PM**

## I. CALL TO ORDER

Mayor Brian Johnson called the meeting to order at 5:31 p.m.

## II. WORK SESSION

A. Interviews for various Advisory Boards and Commissions

The City Council interviewed Lauren Warn, Chad Wandel, and Bob Gruenhagen.

Mayor Johnson recessed into Executive Session at from 5:50 to 6:37 p.m. to discuss potential appointments. Mayor Johnson reconvened into the Work Session at 6:45 p.m.

B. Discuss Arlington Water Contract negotiations

Finance Director Brady Olsen provided a brief presentation regarding ongoing discussions with the City of Arlington relative to the purchase of water and, separately, the operations and maintenance (O&M) of Kennedale's utility system. He noted that this same presentation was recently made to the Arlington Council by Director of Water Utilities Buzz Pishkur.

### GOALS AND HIGHLIGHTS

- Arlington will operate and maintain the water/wastewater system at significantly lower billing rates
- Kennedale will retain ownership of all utility assets in place at time of agreement
- Approximately ten Kennedale employees may be offered employment by the City of Arlington
- Kennedale will transition its water supply to Arlington to the fullest extent possible
- Arlington will honor all related existing contractual obligations
- Initial term of two years (renewable in five-year increments)
- The agreement will include a period during which each City can evaluate the viability
- Annual maintenance and repair limit; single maintenance expenditure limit
- Funding of an interconnect to deliver Arlington water to Kennedale
- Arlington will provide Kennedale with an annual Capital Improvement Plan (CIP)
- Kennedale grants Arlington water transmission rights (for distribution to homes) at a set fee

In response to Councilmember Gilley's question, Olsen stated that the City would continue purchasing water from Fort Worth through the end of that contract; and that Kennedale would continue utilizing its own wells until the interconnect is completed, at which time water purchased from Arlington would become the primary source.

In response to Mayor Pro Tem Joplin's question, City Manager George Campbell stated that he would estimate that the earliest a finalized contract might be presented would be 60 to 90 days. He also noted that the O&M agreement was separate from the water purchase agreement that was also currently under negotiation.

C. Discuss potential appointments to Charter Study Committee

City Manager George Campbell stated that it was his understanding that it was Council's direction that newly-elected Councilmembers Linda Rhodes and Chris Pugh should submit their nominations before discussion during the next Regular Meeting on June 18.

D. Discussion regarding a compensation survey and a climate survey being conducted for the Police and Fire Departments

City Manager George Campbell stated that he had engaged two outside firms to evaluate Police and Fire salaries and to conduct a climate survey in order to identify other potential issues that might be affecting the City's ability to retain public safety employees. He added that once the reports had been shared with any employees who might be affected, they would then be distributed to Council for review.

E. Discussion regarding budgeting strategies for Fiscal Year 2019

There was a brief discussion about several factors including the increase in Tarrant Appraisal District (TAD) property valuations, the "Current Tax Rate" versus the "Effective Tax Rate", a request to have more information about freezing seniors' taxes, the large increase in employee health insurance costs last year (which is projected to be much less significant this year), and the desire to offer the staff a larger raise than last year's 2%.

F. Hold a discussion and provide staff direction regarding calling of a public hearing to consider the business climate in the City of Kennedale

Councilmember Gilley proposed an open house with the business owners of Kennedale.

G. Discussion of the process to be used for the City Manager's annual performance review

There was no discussion at this time.

H. Discussion of items on Regular Session

There was no discussion at this time.

Mayor Johnson closed the Work Session at 7:07 p.m.

## III. REGULAR SESSION

Mayor Johnson opened the Regular Session at 7:07 p.m.

## IV. ROLL CALL

**Present:** Mayor Johnson; Mayor Pro Tem Joplin, Place 5; Rockie Gilley, Place 1; Chris Pugh, Place 2; Sandra Lee, Place 3; and Linda Rhodes, Place 4. **Absent:** NONE**.**

***Staff:*** *City Manager George Campbell, City Secretary and Communications Coordinator Leslie Galloway, Finance Director Brady Olsen, Fire Chief Mike McMurray, Fire Lieutenant Brian King, Police Chief Tommy Williams, Public Works Superintendent Larry Hoover, Community Development Director Melissa Dailey, Library Director Amanda King, HR/EDC Manager Danielle Clarke, City Attorney Wayne Olson (TOASE)*

## V. INVOCATION

Mayor Pro Tem Jan Joplin delivered the invocation.

## VI. UNITED STATES PLEDGE AND TEXAS PLEDGE

## VII. VISITOR/CITIZENS FORUM

There were no requests to speak at this time.

## VIII. REPORTS/ANNOUNCEMENTS

A. Updates from the City Council

- **CHRIS PUGH, PLACE 2** stated that he enjoyed the Historical Society's presentation by Commissioner Nguyen about Vietnam, part of the Mayor's Historical Lecture Series that is the third Thursday of each month at the Community Center.
- **SANDRA LEE, PLACE 3** stated that she attended a budget workshop in Lubbock.
- **LINDA RHODES, PLACE 4** stated that she attended the Senior Synergy Expo; visited the Kennedale Seniors facility on New Hope Road; was planning to attend the EDC meeting; and echoed Councilmember Pugh's comments about Commissioner Nguyen's lecture.
- **MAYOR PRO TEM JAN JOPLIN, PLACE 5** stated that the election included failed recalls of herself and Councilmember Lee, a female ran for Mayor, the Mayoral race was separated by only 14 votes, Kennedale had the highest voter turnout in Tarrant County, and that all City and ISD races were contested. She urged everyone to stay informed and engaged.

B. Updates from the City Manager

City Manager George Campbell had no updates at this time.

C. Updates from the Mayor

Mayor Johnson stated that the inaugural Theatre in the Park production was a success; that there would likely be a comedy in the fall and another musical next spring; that the next topic in his Historical Lecture Series would be the history of the 4th Amendment, presented by Anthony Giardino; that public meetings were forthcoming regarding the redesign of the I-20, 820, 287 corridor; that the Sublett Road bridge was going before the Arlington City Council and could be a part of an upcoming bond; that he attended the opening of a portion of 360; that he would be speaking at Emerald Hills on Memorial Day; and that he recently attended the Muslim Community Center for Human Services annual fundraiser.

• Recognition of Public Works Director Larry Ledbetter's service to the City of Kennedale
**Larry Ledbetter, Public Works Director | September 2007 – March 2018**
Mayor Johnson thanked Mr. Ledbetter for his service and for the vast amount of specialized knowledge he had shared with the staff and Council. City Manager George Campbell noted that he had made some significant improvements to the water system in his tenure.

• Recognition of Fire Chief Mike McMurray's service to the City of Kennedale
**Mike McMurray, Fire Chief | March 2008 – May 2018**
Mayor Johnson thanked Chief McMurray for his service and City Manager George Campbell noted that he had made significant improvements to the Fire Department during his tenure and that he appreciated the leadership he had provided.

## IX. MONITORING INFORMATION

A. Monthly Financials – April 2018
There was no discussion at this time.

B. Schedule of Investment Activity for quarter ending March 31, 2018
There was no discussion at this time.

C. Monthly EDC Financials and Activity Report
There was no discussion at this time.

## X. INCIDENTAL ITEMS

## XI. REQUIRED APPROVAL ITEMS (CONSENT)

A. Consider approval of minutes from March 19, 2018 regular meeting

B. Consider approval of minutes from April 16, 2018 regular meeting

C. Consider approval of minutes from April 23, 2018 special meeting

D. Discuss and consider acceptance of independent auditor's report (Comprehensive Annual Financial Report (CAFR)) for the fiscal year ended September 30, 2017

E. Consider approval of Ordinance 642, reappointing Municipal Judge Bill Lane to a two-year term and approval of a two-year extension of the municipal judge's contract

F. Consider approval of tax collection contract with Tarrant County

G. Consider Approval of Amendment 2 to the Engineering Contract with Freese and Nichols for the TxDOT New Hope Road Bridge Replacement Project

H. Consider approval of the engineering contract with Freese and Nichols for the local match projects related to the New Hope Road Bridge TxDOT Bridge Replacement Project

I. Consider approval of Resolution 525, authorizing the Mayor to sign the Advanced Funding Agreement (AFA) for the New Hope Road Bridge Replacement Project with TXDOT

Mayor Pro Tem Jan Joplin requested that items B, G, H, and I be removed from Consent; and Councilmember Gilley requested that D be removed as well.

**Motion To** Approve Consent Agenda, except items B, D, G, H, and I. **Action** Approve, **Moved By** Mayor Pro Tem Joplin, **Seconded By** Lee. **Motion passed Unanimously.**

**Motion To** Approve Item XI.B. (April 16, 2018 minutes) as corrected (by removal of the words "she felt" in the narrative related to item VIII.A.; and addition of the clause "and a correction to the Management's Discussion and Analysis (MD&A) section" to the narrative related to item XI.D.). **Action** Approve, **Moved By** Mayor Pro Tem Jan Joplin, **Seconded By** Lee. **Motion passed Unanimously.**

**Motion To** Accept Item XI.D. (FY2017 CAFR) as corrected (by fixing the transposition of the numbers listed as the net position of the stormwater fund and the water/wastewater fund in the MD&A statement on page 10; and correcting the tax rate on page 11 to "*…increased the tax rate by one cent to $0.777500 per $100 assessed valuation…").* **Action** Accept, **Moved By** Gilley, **Seconded By** Lee. **Motion passed Unanimously.**

Mayor Pro Tem Joplin requested a presentation regarding the New Hope Road project (items G, H, and I) at the next meeting.

**Motion To** Postpone Items XI.G., XI.H., and XI.I. until the June 18 Regular Meeting. **Action** Postpone, **Moved By** Mayor Pro Tem Joplin, **Seconded By** Lee. **Motion passed Unanimously.**

## XII. DECISION ITEMS

A. **CASE # PZ 18-01** to conduct a public hearing, receive comments, and consider approval on a request by Skorburg Retail Corp., for a Zoning change and Concept Plan for approximately 23.1 acres from "AG" Agricultural District to "PD" Planned Development District for a new neighborhood consisting of 92 single-family lots on property located at 1118 and 1132 Kennedale Sublett Road, legal description of Lots 4R1 & 3B1, JM Estes Home Tracts, Tarrant County, Texas.

1. Staff Presentation

City Manager George Campbell introduced newly-hired Community Development Director Melissa Dailey, who provided a brief overview of the requested zoning change, stating that the surrounding areas are primarily residential, the Comprehensive Land Use Plan defines this land as neighborhood, the Planning & Zoning Commission (P&Z) approved this request at their April 19, 2018 meeting, and staff is recommending approval.

She noted that the lot sizes and setbacks (5' vs. 8') were somewhat smaller than other developments, but that the average lot size has increased since the initial plan (which was reduced from 96 to 92 lots at the request of P&Z), decreasing the density and increasing the open or greenspace. Notices were sent to property owners, and two expressed concerns about lot size at the P&Z meeting, but did not specifically speak for or against the development overall.

She noted that this neighborhood would form a corridor from Sublett to Swiney Hiett Road via Collett Sublett Road, increasing connectivity within the City. Councilmember Gilley expressed concern with the current state of Collett Sublett, and Public Works Superintendent Larry Hoover acknowledged that, like all asphalt streets in the city, Collett Sublett was in need of either an overlay or rebuild in the near future, regardless of tonight's decision.

2. Applicant Presentation

Rich Darragh, Land Acquisition Associate at Skorburg Company, gave a brief overview of the company and stated that he had been before P&Z four times now regarding this plot of land that lies just south of the roundabout at Wildcat Way and Sublett Road. He stated that the streets would be named after local historical figures, that the school district reported that the schools could absorb any additional students, that the Fire Chief had approved the reduced setbacks, that more kid-friendly elements had been added to the open space plan, that large-root trees would be used, and that decorative street lighting would be used.

Mayor Pro Tem Joplin stated her concern with the smaller lot sizes and setbacks. Councilmember Chris Pugh noted that the Glen of Village Creek (on Bowman Springs Road) had similarly reduced setbacks, and was selling quickly. Councilmember Sandra Lee stated that she also preferred larger lots, but not everyone did, and noted that this would help to increase the tax base allowing for Council to more quickly accomplish some of their priorities including raises for employees. Councilmember Rockie Gilley stated that he did not believe that additional homes equated to increased revenues for the City; and that it should be approved on the merit of the development. Mayor Johnson stated that he disagreed with Councilmember Gilley because new development led to increased annual tax revenue which more than covered any additional costs for supporting the neighborhood.

3. Public Hearing

**Bob Gruenhagen, 913 Shady Vale Drive,** spoke in favor of growth but felt the lot sizes were too small and voiced his concerns about emergency service access and drainage.

**Jason Hogan, 716 W Kennedale Parkway #16**, spoke against the development because of the small lots and voiced his concerns about the dedication of the developer to creating a healthy community and homeowners' association (HOA). He added that he desired to see unique neighborhoods rather than generic homes that can be found most anywhere.

**Joan Good, 5690 White Settlement Road, Weatherford**, spoke in favor of the development, stating that she and her husband bought 20 acres of this land in 1972 as an investment and grew to love the community and neighbors, but that she was now interested in selling the land.

**Mark Daniel, 1152 Kennedale Sublett Road**, stated that he had concerns about environmental impacts (including contamination of runoff) and that developments and reduced setbacks such as this diminish the small town feel. He added that he did speak against the development at the P&Z meeting.

**Sara Johnson, 700 Crestview Drive**, did not speak, but submitted a written statement against the proposed development noting that the lots were too small, that additional staffing would be required (specifically Police and Fire).

4. Applicant Response

Rich Darragh stated that these lots are adequate in size, that the detention or retention pond will be maintained by the HOA in perpetuity, that traffic calming devices (such as chicanes) will be implemented to slow vehicles. John Arnold, Director of Development at Skorburg, added that the environmental impacts and drainage had been discussed at length, which should not be the focus tonight, but that all aspects were being considered, studied, and engineered to adequately handle any impacts. He also noted that Skorburg had been creating communities in the Metroplex for 35 years and that they maintained a good reputation and prided themselves on repeat business and setting up the HOAs for success.

5. Staff Response and Summary

**Motion To** Postpone CASE # PZ 18-01 to the June 18 Meeting. **Action** Postpone, **Moved By** Mayor Pro Tem Joplin, There was no second. **Motion dies.**

**Motion To** Approve CASE # PZ 18-01, a request by Skorburg Retail Corp. for a Zoning change and Concept Plan for approximately 23.1 acres from “AG” Agricultural District to “PD” Planned Development District for a new neighborhood consisting of 92 single-family lots on property located at 1118 and 1132 Kennedale Sublett Road, legal description of Lots 4R1 & 3B1, JM Estes Home Tracts, Tarrant County, Texas.

Councilmember Rhodes noted that smaller homes are inevitable. She added that safety is always the primary concern, but the Fire Chief had approved these reduced setbacks along with higher fire rating standards being implemented on the walls between homes.

**Action** Approve, **Moved By** Councilmember Pugh, Second by Lee. **Motion passes 3-2**, with Mayor Pro Tem Joplin and Gilley voting against**.**

B. Discuss and provide staff direction regarding the creation of a new bank account specifically for the Kennedale Economic Development Corporation and/or combined utility funds

City Manager George Campbell stated that staff concurred with the recommendation by Council to create a separate account for the EDC Fund, but did not recommend separating the Utility Fund from other City Funds at this point. Finance Director Brady Olsen stated that most all funds run through the same central bank account and that the trend in municipal finance is towards more internal accounting funds and fewer external bank accounts.

Council concurred with staff’s recommendation to separate the EDC Fund into a separate account (but to leave the Water/Sewer Fund in the consolidated City bank account at this time), and directed staff to move forward with what was described in the staff report.

C. Consider making appointments to fill vacancies on various Advisory Boards and Commissions

**Motion To** Approve the appointment of Chad Wandel to Place 2, Jeff Nevarez to Place 4, and Bob Gruenhagen to Place 8 (Alternate) on the Planning & Zoning Commision (P&Z). **Action** Approve, **Moved By** Pugh, **Seconded By** Rhodes.

After a brief discussion and input from City Attorney Wayne Olson regarding the potential conflicts of interest for Jeff Nevarez (a member of the BOA/BBA), the motion was amended by Councilmember Pugh:

**Motion To** Approve the appointment of Chad Wandel to Place 2, promotion of Kayla Hughes (currently an Alternate) to Place 4, and Bob Gruenhagen to Place 8 (Alternate) on the Planning & Zoning Commision (P&Z). **Action** Approve, **Moved By** Pugh, **Seconded By** Lee. **Motion passes unanimously.**

Council postponed decisions about other appointments, including KKB, until a later meeting.

Mayor Johnson recessed to Executive Session at 8:55 p.m.

## XIII. EXECUTIVE SESSION

A. Appointment and removal authority regarding members of City Boards and Commissions

B. Briefing on Arlington Water Contract

C. Discussion of City Manager's Annual Evaluation

## XIV. RECONVENE INTO OPEN SESSION, AND TAKE ACTION NECESSARY PURSUANT TO EXECUTIVE SESSION, IF NEEDED

Mayor Johnson reconvened into Open Session at 9:10 p.m.

## XV. ADJOURNMENT

**Motion To** Adjourn. **Action** Adjourn, **Moved By** Lee, **Seconded By** Gilley. **Motion passed unanimously.**

Mayor Johnson adjourned the meeting at 9:11 p.m.

**APPROVED:**

______________________________

*BRIAN JOHNSON, MAYOR*

**ATTEST:**

______________________________

*LESLIE GALLOWAY, CITY SECRETARY*

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - C.

**I. Subject:**
Consider approval of minutes from May 30, 2018 special meeting

**II. Originated by:**

Leslie Galloway, City Secretary & Communications Coordinator

**III. Summary:**
Please see the attached minutes for your approval.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 2018_05.30_Minutes_City Council Special Meeting_DRAFT_WM | 2018_05.30_Minutes_City Council Special Meeting_DRAFT_WM.pdf |

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# *KENNEDALE CITY COUNCIL MINUTES*

**SPECIAL MEETING | MAY 30, 2018**
**CITY HALL COUNCIL CHAMBERS, 405 MUNICIPAL DRIVE**
**SPECIAL SESSION - 5:00 PM**



## I. CALL TO ORDER

Mayor Brian Johnson called the meeting to order at 5:00 p.m.

## II. REGULAR SESSION

## III. ROLL CALL

**Present:** Mayor Johnson; Mayor Pro Tem Joplin, Place 5; Rockie Gilley, Place 1; Chris Pugh, Place 2; Sandra Lee, Place 3; and Linda Rhodes, Place 4. **Absent:** NONE**.**
***Staff:*** *City Manager George Campbell, City Secretary and Communications Coordinator Leslie Galloway, Finance Director Brady Olsen, Public Works Superintendent Larry Hoover*

## IV. DECISION ITEMS

A. Consider authorizing the City Manager to enter into an engineering services agreement with Freese and Nichols to evaluate technical aspects of the agreement currently being negotiated with the City of Arlington for utility system operation

City Manager George Campbell stated that there was one correction that needed to be made to the contract the City Council had received via email earlier in the day. The words "Attachment SC" in the first paragraph of Page 4 would be changed to "In the Letter Agreement". He added that staff and the City Attorney were currently negotiating two potential contracts with the City of Arlington – one for Operations and Maintenance (O&M) of the City of Kennedale's water utility system (which this agreement with Freese and Nichols would apply to) and one for the purchase of drinking water. He then requested that if any Councilmember had requests for specific information about either of the contracts with the City of Arlington, that they should be sent to staff as soon as possible.

**Motion** To Approve. **Action** Approve, **Moved By** Gilley, Seconded By Pugh. **Motion passed 4-1**, with Rhodes voting against.

## V. ADJOURNMENT

**Motion** To Adjourn. **Action** Adjourn, **Moved By** Lee, Seconded By Rhodes. **Motion passed unanimously.**

Mayor Johnson adjourned the meeting at 5:19 p.m.

| | |
|---|---|
| **APPROVED:** | **ATTEST:** |
| ______________________________ | ______________________________ |
| *BRIAN JOHNSON, MAYOR* | *LESLIE GALLOWAY, CITY SECRETARY* |

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - D.

---

**I. Subject:**
Consider Approval of Amendment 2 to the Engineering Contract with Freese and Nichols for the TxDOT New Hope Road Bridge Replacement Project

**II. Originated by:**

Larry Hoover, Streets and Parks Supervisor

**III. Summary:**

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**NEW INFORMATION:**
Consent Items D, E, and F are all related to one another, and each first appeared on the Monday, May 21, 2018 Consent Agenda, but were postponed at the request of the Council. During tonight's Work Session (Item B), Alex Garcia, PE, PTOE, of Freese and Nichols will present an overview of this project, including progress to date and the current
considerations.

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In June 2015, the City Council approved a contract with Freese and Nichols for the design of a four-lane roadway for the entire length of New Hope Road within Kennedale. The original contract amount was $172,635. In April of 2016, the contract cost was amended (Amendment 1) to $225,676, with the plans focusing on the southern 3,000 feet of road, as one of the culverts in this area was selected by TxDOT as an off-system bridge replacement program project. The contract also provides 90% of the design necessary for this future project that TxDOT would be generating.

Amendment 2 focuses on the TxDOT-related design requirements and will be the basis of TxDOT-created bid and construction documents. Freese and Nichols submitted a cost breakdown of the contract, which includes a credit of $53,000 from the Amendment 1 contract, now applied towards the Amendment 2 price of $363,000, leaving the total amount owed at $310,000 for the current amendment.

The New Hope Road Bridge Replacement Project will be constructed by TxDOT. The project is scheduled to be let (made available for bidding) in August 2020.

**IV. Fiscal Impact Summary:**
Funding for this project will need to be appropriated in FY19, through the operating budget as either an operating expense or through the issuance of debt.

**V. Legal Impact:**

**VI. Recommendation:**

Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | CURRENT CONSIDERATION_Amendment 2 (2018) | KEN15333 Amd #2 signed by FNI.PDF |
| 2. | HISTORICAL_Amendment 1 (2016) | Amendment 1 2016.pdf |
| 3. | HISTORICAL_TxDOT New Hope Bridge Replacement Original Contract 2015 | TxDOT New Hope Bridge Replacement Original Contract 2015.pdf |

Rev. 12/15

FREESE AND NICHOLS

**CONTRACT CHANGE AUTHORIZATION**
**Amend #2**

| | |
|---|---|
| **Client:** City of Kennedale<br>923 E. Kennedale Parkway<br>Kennedale, TX 76060<br>Attn: Larry Hoover | **FNI Project No.:** KEN15333<br>**Client Contract Ref.:**<br>**Date: January 18, 2018** |

**Project Description:** New Hope Road

**Description of Services Added/Deleted:**

As more fully described in the attached Scope of Services

**Deliverables:**

As more fully described in the attached Scope of Services

**Compensation shall be adjusted as follows:**

A lump sum fee of Three Hundred Ten Thousand Dollars ($310,000).

| | |
|---|---|
| **Original Contract** | $172,635 |
| **Amendment #1** | $225,676 |
| **Amendment #2** | **$310,000** |
| **Revised Total Contract** | $708,311 |

**Schedule shall be adjusted as follows:**

As more fully described in the attached Scope of Services

***The above described services shall proceed upon return of this Contract Change Authorization. Services will be billed as they are done. All other provisions, terms, and conditions of the agreement for services which are not expressly amended shall remain in full force and effect.***

☐ A contract modification will be submitted.
☒ This Contract Change Authorization will serve as contract modification.

**FREESE AND NICHOLS, INC.:**

BY: Lawrence P. Eckersley

Lawrence P. Eckersley P.E.
Print Name

TITLE: Principal & COO

DATE: January 23, 2018

**CITY OF KENNEDALE, TEXAS:**

BY: ____________________

____________________
Print Name

TITLE: ____________________

DATE: ____________________

**New Hope Road**

**Scope of Services – Contract Amendment #2**

**Description**

The City of Kennedale has received funding through TxDOT's off-system bridge replacement program. As part of this process, TxDOT has requested that the City be responsible for obtaining the engineering design for this off-system bridge replacement. This project will be for the creek crossing approximately 1400 linear feet north of Hudson Village Creek Road. The preliminary design completed showed this as four (4) 10'x6' reinforced concrete box culverts. This project will construct two (2) concrete divided lanes for approximately 200' of New Hope Road with median curbs and open drainage on the outside edges. These lanes will be positioned to match up with the ultimate 4 lane divided roadway in this section. The pavement will then be transitioned in asphalt (approximately 275' on each side) to match the existing roadway pavement. This project will be reviewed, approved and let by TxDOT. TxDOT will also manage construction of the project.

**Roadway Design**

1. General
   a. FNI will hold a kickoff meeting for the project with both TxDOT and the City of Kennedale.
   b. FNI will visit the project to review current conditions.
   c. FNI will be available to assist the City with setting the project up with TxDOT. This will include reviewing and providing guidance regarding the Advanced Funding Agreement, Design Summary Report, and providing other guidance regarding required documentation to be completed by the City at TxDOT's request.
   d. Meetings and Coordination
      i. FNI will attend up to four (4) progress review meetings with the City and/or TxDOT
      ii. FNI will attend up to four (4) other various coordination meetings. These may include meetings with property owners, franchise utility companies, etc.
      iii. FNI will coordinate with franchise utilities near the project to notify them of the project and respond to questions regarding FNI's design. FNI will endeavor to obtain anticipated clearance or conflict communication. FNI will periodically contact franchise utilities which are in conflict regarding anticipated relocation plan and timing ahead of and during construction.
2. 60% Submittal Package – Project is anticipated to include the following elements. Elements not identified below may be considered an additional service. Each submittal will also include an internal quality control review, updated opinion of probable cost and preparation of required forms for TxDOT (1002 Form, comment responses, etc.)
   a. General
      i. Cover sheet
      ii. Index
      iii. Project Layout
      iv. Survey Control
      v. Quantity Summaries
      vi. General Notes

        vii. Typical Sections
    b. Traffic Control
        i. Construction Phase Narrative
        ii. Construction Phase Typical Sections
        iii. Phase I Layout
        iv. Phase II Layout
        v. Traffic Control Details
    c. Roadway
        i. Geometric Data
        ii. Removal Layout
        iii. Paving Plan and Profile
        iv. Driveway Layout
        v. Retaining Wall Plan and Profile
        vi. Grading Plan
        vii. Roadway Standard Details
    d. Drainage – it is assumed that the roadway lanes will be uncurbed on the outside and therefore not require closed drainage system. Closed drainage design beyond the cross culvert will be an additional service.
        i. CULVERT DRAINAGE AREA MAP
        ii. CULVERT CALCULATIONS
        iii. CULVERT PLAN AND PROFILE
        iv. Street drainage area map
        v. Hydraulic Calculations (for roadside ditches)
        vi. Drainage Standard Details
    e. Utilities
        i. Existing Utility Layout (proposed utility relocations not to be shown)
    f. Pavement Markings and Signage
        i. Pavement Marking Layout
        ii. Signage Layout
        iii. Summary of Small Signs
        iv. Markings and Signage Standard Details
    g. Environmental
        i. SW3P Layout (EPIC sheet will be prepared by TxDOT)
        ii. Erosion Control Standard Details
3. 90% Submittal, 95% & Final Submittals
    a. All the elements shown above will be updated based on TxDOT review comments.
    b. Preparation of Contract Time estimate
4. Bid Phase. It is anticipated that this project will be let by TxDOT.
    a. FNI will attend a pre-bid meeting (if one is held) and be available to answer questions regarding the project.
    b. FNI will assist with responding to questions by potential bidders during the project advertisement period.
    c. FNI will prepare addenda as necessary during the advertisement period.

5. Construction Phase. It is anticipated that the construction contract will be administered by TxDOT.
   a. FNI will attend a pre-construction meeting.
   b. FNI will attend weekly progress meetings as requested (Up to 34)
   c. FNI will attend up to eight (8) site visits.
   d. FNI will review and respond to contractor requests for information regarding the plans.
   e. FNI will review submitted shop drawings for conformance with design. Approval does not relieve the contractor of adherence to the contract drawings unless explicitly stated.
   f. FNI will review change orders for general conformance with the construction plans or construction revisions. Detailed review regarding rates, hours, etc. will remain the responsibility of TxDOT.
   g. FNI will attend a final walkthrough and provide a listing of potential deficiencies to TxDOT for incorporation into the overall list prepared by TxDOT.
   h. Provide as-built drawings (if requested).

Additional services

- Design, bid and construction phase services required for the project to be locally let. It is assumed the project will remain state let.
- Project Manual preparation. This is anticipated to be completed by TxDOT for a TxDOT let contract.
- Preparation of bid analysis, recommendation letter, contracting, meeting administration, submittal and RFI tracking, and other items associated with advertising and constructing the project as TxDOT will be responsible for these items.
- Environmental permitting for the project. TxDOT's communication identified that they will be responsible for preparing this permitting effort.

<u>**Hydraulic Analysis**</u>

1. FNI will adjust the cross-section layout for the HEC-RAS model based on the design alignment if necessary.

2. FNI will evaluate one box culvert design configuration for the crossing to determine the geometry required to meet the design objectives and criteria.

3. FNI will evaluate scour potential for the stream channel running parallel to the road on the upstream side of the crossing. The results of this analysis will be used to evaluate measures to protect the road embankment or retaining wall.

4. A Hydraulic Report will be prepared for submission to TXDOT addressing the design and hydraulic considerations outlined in the TXDOT Hydraulic Design Manual. Hydraulic data sheets will be developed for the crossing and incorporated in the construction plans. Up to 5 copies of the report will be provided.

Assumptions:

1. The models developed previously by FNI based on models developed by Halff Associates will be the basis of the design models.
2. The hydraulic structures will be sized to meet the City of Kennedale hydraulic criteria, but results will be provided for TXDOT criteria.

3. It is understood a FEMA map change is contemplated for the watershed at some point in the future. It is assumed the Special Flood Hazard Area in the project vicinity is not revised during the design and no floodway modeling is necessary. Revisions to modeling based on revised floodplain models is an additional service. Preparation and submittal of Letter of Map Revision or Conditional Letter of Map Revision to FEMA is an additional service.

**Geotechnical**

The proposed geotechnical scope of work for the project will consist of field exploration, laboratory testing, engineering analysis, and reporting, as presented below. This section of New Hope Road is underlain by the Woodbine geologic formation. The surficial soils will be clay soils that will transition into shale and sandstone bedrock of the Woodbine.

The geotechnical report will comprise a memorandum with the purpose of characterizing the subsurface materials at the project site as they relate to pavement design, subgrade treatment and preparation, geotechnical design for the culvert and bridge walls, and recommendations associated with earthwork and constructability.

1. Field Exploration
    a. Select and mark 2 boring locations and notify Texas 811, appropriate City department(s) to request location and marking of existing underground utilities prior to the field exploration. The 2 borings will provide subsurface information for the approximately 750-foot long roadway section with borings on both ends of the project.
    b. The existing New Hope Road at this section is a 2-lane asphalt road. Due to fence lines and overhead utilities on both sides of the road, there does not appear to be sufficient clearance for drilling rig access as the rig operating area would extend into the roadway. Therefore, the exploratory core borings will be drilled through the existing pavement or just off the edge of the pavement. Drilling through the pavement will require closing one lane of traffic during the drilling which includes traffic control and flagmen to route traffic around the drilling equipment.
    c. Subcontract with a geotechnical drilling contractor to drill a maximum of 2 borings to a maximum depth of 40 feet each, or until 5 feet of competent bedrock material has been penetrated, whichever is less, with a minimum borehole depth of 30 feet. Samples will be collected intermittently using continuous flight augers and either split-spoon or tube samplers. Rock and rock-like materials will be tested insitu using a TxDOT Cone Penetration Test, as appropriate for the material. At completion, the boreholes will be backfilled with auger cuttings and the pavement surface patched.
    d. Provide an Engineer or Geologist experienced in logging borings to direct the drilling, log the borings, and handle and transport the samples. Visual classification of the subsurface stratigraphy shall be provided per the Unified Soil Classification System (USCS).
2. Laboratory Testing
    a. Testing shall be performed on samples obtained from the borings to determine soil classification and pertinent engineering properties of the subsurface materials. FNI will select samples for laboratory testing, assign tests, and review the test results. Testing will be performed by a geotechnical testing subcontractor.

b. Laboratory tests will be assigned based on the specific subsurface materials encountered during exploration. Test type and quantity may vary, but are expected to include:
   i. Classification tests (liquid and plastic limits and percent passing the no. 200 sieve or gradation)
   ii. Moisture content
   iii. Dry unit weight
   iv. Unconfined compressive strength
   v. Lime series (pH method)
   vi. Soluble sulfate content
   vii. Overburden Swell

3. Engineering Analysis

   Prepare a technical memorandum of the geotechnical investigation to include:

   a. Attachments with the boring locations, boring logs, laboratory test results, and a key to the symbols used.
   b. Discussion of subsurface conditions and soil properties indicated by the field and laboratory work, and the implications for design.
   c. Recommendations for pavement subgrade treatment.
   d. Pavement thickness calculations. These calculations require design traffic volumes which will be determined by FNI design engineers as a part of the project.
   e. Foundation support of the proposed box culvert.
   f. Foundation and stability parameters for the proposed walls.
   g. Lateral earth pressures for subsurface structures.
   h. General discussion of expected construction related issues.
   i. Earthwork related recommendations for use during development of the plans and specifications.

**Schedule**

- FNI will provide 60% design plans 10 weeks after notice to proceed
- FNI will provide 90% design plans 5 weeks after receipt of comments on previous submittal.
- FNI will provide 95% design plans 4 weeks after receipt of comments on previous submittal.
- FNI will provide 100% design plans 3 weeks after receipt of comments on previous submittal.

## Kelly Shriver

**From:** Alex Garcia
**Sent:** Wednesday, April 13, 2016 4:41 PM
**To:** 'Bob Hart (bhart@cityofkennedale.com)'
**Subject:** RE: New Hope Road Contract Amendment #1

Bob,

Under the hydraulic analysis section of the scope, I mistakenly left in item #2 but removed it from the hours. This item is not anticipated for this project, so if you are agreeable, I would like to strike that item from the scope of services.


**Alex Garcia, PE, PTOE**

**Freese and Nichols, Inc.**

4055 International Plaza, Suite 200
Fort Worth, TX 76109-4895
Direct: (817) 735-7321
Blog: http://www.freese.com/onward-upward


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**From:** Alex Garcia
**Sent:** Friday, April 08, 2016 4:59 PM
**To:** 'Bob Hart (bhart@cityofkennedale.com)' <bhart@cityofkennedale.com>
**Cc:** Mazen Kawasmi <Mazen.Kawasmi@freese.com>; Brian Coltharp <BCC@freese.com>; Chris Bosco <CB@freese.com>
**Subject:** New Hope Road Contract Amendment #1

Bob,

Attached you will find our contract amendment for New Hope Road. We are proposing to take the southern-most 3000 feet of the project limits from the schematic design to a 90% design level. This will include roadway design, hydraulic analysis and design, design survey and subsurface utility engineering. I have included the following documents detailing out the anticipated work:

- Contract Change Authorization Form
- Scope of Services
- Detailed Cost Breakdown
- Form 1295

Please review and let me know if you have any questions regarding this proposal. We appreciate the opportunity on this project and look forward to continuing our partnership with Kennedale.

Have a great weekend!


**Alex Garcia, PE, PTOE**

**Freese and Nichols, Inc.**

4055 International Plaza, Suite 200
Fort Worth, TX 76109-4895
Direct: (817) 735-7321
Blog: http://www.freese.com/onward-upward

Rev. 12/15

FREESE AND NICHOLS

**CONTRACT CHANGE AUTHORIZATION**
**Amend #1**

| | |
|---|---|
| **Client:** **City of Kennedale**<br>**923 E. Kennedale Parkway**<br>**Kennedale, TX 76060**<br>**Attn: Bob Hart** | **FNI Project No.: KEN15333**<br>**Client Contract Ref.:**<br>**Date: April 8, 2016** |

**Project Description:** New Hope Road

**Description of Services Added/Deleted:**

As more fully described in the attached Scope of Services

**Deliverables:**

As more fully described in the attached Scope of Services

**Compensation shall be adjusted as follows:**

A lump sum fee of Two Hundred Twenty Five Thousand Six Hundred Seventy Six Dollars ($225,676)

| | |
|---|---|
| **Original Contract** | $172,635 |
| **Amended Amount** | **$225,676** |
| **Revised Total Contract** | $398,311 |

**Schedule shall be adjusted as follows:**

As more fully described in the attached Scope of Services

***The above described services shall proceed upon return of this Contract Change Authorization. Services will be billed as they are done. All other provisions, terms, and conditions of the agreement for services which are not expressly amended shall remain in full force and effect.***

☐ A contract modification will be submitted.
☒ This Contract Change Authorization will serve as contract modification.

**FREESE AND NICHOLS, INC.:**

BY: [signature]
Chris B Bosco
Print Name

TITLE: Principal

DATE: ~~Principal~~ 4/8/16

**CITY OF KENNEDALE, TEXAS:**

BY: [signature]
Brian Johnson
Print Name

TITLE: Mayor

DATE: 4/18/16

**New Hope Road**

**Scope of Services – Contract Amendment #1**

## Description

As one of the bridge class culverts was selected for funding as part of the TxDOT off-system bridge replacement program, this design contract will move the design forward on the southern-most 3,000 linear feet (beginning at the transition to Hudson Village Creek Road) of New Hope Road from the current schematic level design to a 90% level design. This effort will include roadway design, hydraulic analysis and detailed design survey and property acquisition documents. The two creek crossings are anticipated to be culvert designs as shown in the previous hydraulic memo with a pedestrian underpass adjacent to the northern culvert. Construction plans and specifications package are not included at this time as the timetable to construction and the contracting method are uncertain at this time.

## Roadway Design

1. FNI will visit the site up to three (3) times during the design process to confirm design elements.
2. FNI will utilize design survey to review and confirm the roadway geometry. Significant change to the roadway alignment from the schematic design may be an additional service.
3. FNI will utilize the topographic survey to revise the roadway profile. As the profile for the schematic was based on 1' contour data, profile revisions may be necessary for this design and this effort is assumed as part of this scope.
4. FNI will prepare the geometric design for retaining walls associated with the roadway which may be necessary. This will be a civil plan/profile layout only and will not include geotechnical or structural design at this time which would be included in the final design for construction plans.
5. FNI will prepare grading layouts detailing grading work to be performed near the culverts and adjacent to the roadway in order to finalize property easements required for the project.
6. FNI will prepare the storm drain design for the roadway. This will include developing contributing drainage areas, determining inlet spacing and sizing, determining storm drain pipe layout, profile and sizing. Lateral profiles are not to be included with this package and may be included for the final design.
7. FNI will prepare a striping layout plan for the roadway and connecting roadways.
8. FNI will review available and surveyed utility data to determine potential utility conflicts. FNI will contact franchise utility companies (from a list provided by City) to share the plans with the project with them and receive feedback from the utility companies.
9. FNI will submit 60% design drawings which will include all of the elements listed in items 2-4 and 6 above.
10. FNI will submit 90% design drawings to include addressing of any comments provided at the 60% level plus items 5 & 7 listed above.
11. FNI will attend up to six (6) coordination meetings including meetings with the City, meetings with TxDOT, design review meetings, franchise utilities or property owners.

Services not included in roadway design:

1. Geotechnical design – including wall design and pavement design

Please see April 2016 email from Alex Garcia (Freese and Nichols) to then-City Manager Bob Hart

2. Traffic control plans
3. Erosion control plans
4. Structural design for walls
5. Bridge design (as drainage crossings are anticipated to remain as culverts)
6. Right-of-way agent or appraisal services
7. All services listed in original contract not specifically included in this amendment

**Hydraulic Analysis**

1. FNI will perform data collection and a field visit to confirm best available data is being used for the analysis. This may include data requests to FEMA or the City of Kennedale.
2. ~~FNI will perform regression equation analysis of the watersheds contributing to the two crossings to determine an existing conditions discharge if required by TXDOT.~~
3. FNI will develop a cross section layout for the HEC-RAS model based on the design alignment.
4. Existing Conditions HEC-RAS model will be developed for the two crossings based on the prior modeling efforts performed by FNI for New Hope Road reflecting the revised cross section layout and any newly available topographic survey.
5. FNI will evaluate one selected design configuration for each of the two crossings of either a bridge, box culvert, or arch pipe to determine the geometry required to meet the design objectives and criteria.
6. A scour analysis will be performed if a bridge design or open bottom pipe design is pursued at either crossing. Scour mitigation measures will be evaluated and incorporated into the design.
7. A Hydraulic Report will be prepared for submission to TXDOT addressing the design and hydraulic considerations outlined in the TXDOT Hydraulic Design Manual. Hydraulic data sheets will be developed for the two crossings and incorporated in the construction plans. Up to 5 copies of the report will be provided.

Assumptions:

1. The models developed previously by FNI based on models developed by Halff Associates will be the basis of the design models.
2. The hydraulic structures will be sized to meet the City of Kennedale hydraulic criteria, but results will be provided for TXDOT criteria.
3. It is understood a FEMA map change is contemplated for the watershed at some point in the future. It is assumed the Special Flood Hazard Area in the project vicinity is not revised during the design and no floodway modeling is necessary. Revisions to modeling based on revised floodplain models is an additional service. Preparation and submittal of Letter of Map Revision or Conditional Letter of Map Revision to FEMA is an additional service.

**Survey**

1. Prepare property mapping for 500’ south of Hudson Village Creek Road (not previously included in scope)
2. Prepare topographic survey for project area as identified in description above, including identification of all surface elements.
3. Prepare and send right of entry letters for up to 17 affected properties
4. Prepare 6 right-of-way acquisition documents

5. Prepare 8 permanent easement documents
6. Temporary easement documents are not included, if required they will be an additional service.

**Subsurface Utility Engineering (SUE)**

1. Provide level B SUE services. Level B includes horizontal location of existing utilities, including services, along the 3,000 linear feet of the project limits as detailed in the description above. The limits include Right of Way to Right to Way and the properties to be acquired. The Level "B" will include overhead utilities.
2. Level A SUE services will be considered an additional service. Level A is defined as excavation of test holes that are in potential conflict with the proposed work.

**Schedule**

- FNI will provide 60% design plans 12 weeks after notice to proceed
- FNI will provide 90% design plans 8 weeks after design review meeting

Rev. 06/10

KEN15333

# AGREEMENT FOR PROFESSIONAL SERVICES

STATE OF TEXAS §

COUNTY OF TARRANT §

This AGREEMENT is entered into by City of Kennedale, Texas, hereinafter called "OWNER" and Freese and Nichols, Inc., hereinafter called "FNI." In consideration of the AGREEMENTS herein, the parties agree as follows:

I. **EMPLOYMENT OF FNI:** In accordance with the terms of this AGREEMENT: OWNER agrees to employ FNI; FNI agrees to perform professional services in connection with the Project; OWNER agrees to pay to FNI compensation. The Project is described as follows: New Hope Road from US 287B to Hudson Village Creek. Paving improvements for a 1.8 mile four lane divided roadway.

II. **SCOPE OF SERVICES:** FNI shall render professional services in connection with Project as set forth in Attachment SC - Scope of Services and Responsibilities of OWNER which is attached to and made a part of this AGREEMENT.

III. **COMPENSATION:** OWNER agrees to pay FNI for all professional services rendered under this AGREEMENT in accordance with Attachment CO - Compensation which is attached hereto and made a part of this AGREEMENT. FNI shall perform professional services as outlined in the "Scope of Services" for a lump sum fee of $172,635. Details concerning the fee are included in Attachment CO.

If FNI's services are delayed or suspended by OWNER, or if FNI's services are extended for more than 60 days through no fault of FNI, FNI shall be entitled to equitable adjustment of rates and amounts of compensation to reflect reasonable costs incurred by FNI in connection with such delay or suspension and reactivation and the fact that the time for performance under this AGREEMENT has been revised.

IV. **TERMS AND CONDITIONS OF AGREEMENT:** The Terms and Conditions of Agreement as set forth as Attachment TC shall govern the relationship between the OWNER and FNI.

Nothing under this AGREEMENT shall be construed to give any rights or benefits in this AGREEMENT to anyone other than OWNER and FNI, and all duties and responsibilities undertaken pursuant to this AGREEMENT will be for the sole and exclusive benefit of OWNER and FNI and not for the benefit of any other party.

This AGREEMENT constitutes the entire AGREEMENT between OWNER and FNI and supersedes all prior written or oral understandings.

This contract is executed in two counterparts.
IN TESTIMONY HEREOF, they have executed this AGREEMENT, the 29th day of June 2015.

CITY OF KENNEDALE ★ TARRANT COUNTY, TEXAS ★

ATTEST:

Leslie Galloway

**City of Kennedale, Texas**
(OWNER)

By: Brian Johnson

Brian Johnson, Mayor
Print or Type Name and Title

ATTEST:

Mazen H. Kanaami

**Freese and Nichols, Inc.**
(FNI)

By: Brian C. Colthorp

Brian C. Colthorp, V.P.
Print or Type Name and Title

L:\Resources\OLCR\K\Kennedale\New Hope Rd Paving

## SCOPE OF SERVICES AND RESPONSIBILITIES OF OWNER

Project Description:

The following scope of services has been prepared to assist the City of Kennedale (City) with professional engineering and environmental services associated with the proposed New Hope Road expansion project. It is our understanding that the City is proposing to upgrade a 1.8 mile, 2-lane roadway generally from north to south from U.S. Business Hwy 287 to Hudson Village Creek Road in Kennedale, Tarrant County, Texas to a 4-lane divided roadway. The roadway is assumed to be designed and constructed in two phases, with half of the travel lanes in each phase. The schematic design proposed in this contract will consider both of these phases. The roadway would cross three unnamed tributaries of Village Creek with three culvert replacements and have an at-grade railroad quiet zone crossing.

The design services are broken into two phases. The first phase will be alignment study leading up to the TxDOT bridge replacement. The TxDOT bridge replacement location is located approximately 1,400 feet north of Hudson Village Creek Road. This study will look at the north and south roadway approaches approximately 1,000 feet in each direction. The second phase will be the remainder of the alignment limits. All scope applies to both phases except as otherwise noted. The breakdown of effort for each phase is included in Attachment CO – Compensation.

ARTICLE I

**BASIC SERVICES:** FNI shall render the following professional services in connection with the development of the Project:

A. SCHEMATIC DESIGN

a. **Data Collection and Site Visit.** FNI will review as-built drawings and proposed development plans in the project area provided by OWNER for implementation into design. FNI will visit the site to document existing conditions.

b. **Preliminary Alignment Study.** In order to develop a preliminary alignment, FNI will identify site constraints, develop a typical roadway section, develop drainage crossing alternatives, and roadway alignment alternatives. FNI will prepare exhibits showing these alternatives as part of a preliminary alignment study. The deliverable for this task will be a technical memo documenting project issues and approaches taken to develop a preferred alignment. FNI will provide three (3) hard copies of this memo and a PDF.

   i. **Identify Site Constraints.** FNI will review topography, parcel impacts, environmentally sensitive areas, existing utility lines (based on information provided by utility companies), etc to establish existing site constraints for the project.

   ii. **Develop Roadway Typical Section.** FNI will develop typical section alternatives to fit within the preferred right-of-way width to accomplish the goals set forth in the TRZ (Transportation Reinvestment Zone) document in regards to travel options for drivers, bicyclists and pedestrians. It is assumed that this project will be built in two phases with half of the lanes built in the first phase and the remaining lanes built at a later date.

   iii. **Develop Drainage Crossing Alternatives.** FNI will consider the design approach for each of the drainage crossings to include elevation of the roadway and the size of drainage crossing (including bridge if applicable).

   iv. **Develop Roadway Alignment Alternatives.** FNI will prepare exhibits to show specific design alternatives regarding alignments. FNI will provide discussion of the positives and negatives of each design alternative for consideration.

c. **Design Schematic.** FNI will develop a design schematic showing the plan and profile of the proposed roadway. Bridge/culvert locations will be identified in plan and profile with preliminary sizing. The deliverable will be a plan and profile design schematic with up to two (2) revisions. Two (2) hard copies of the schematic and a PDF will be provided at each submittal. A detailed topographic survey will not be provided. Vertical design will be preliminary based on available one (1) foot GIS data. For Phase I design limits will be included with Phase II submittals.

d. **Meetings.** Up to two (2) meetings in Phase I and six (6) meeting in Phase II with the client and/or affected property owners.

e. **TxDOT Bridge Replacement Design Review and Coordination. (Phase I only)** FNI will coordinate with TxDOT and OWNER regarding their planned bridge replacement approximately 1,400 feet north of Hudson Village Creek Road on New Hope Road. FNI will review alignment and layout of bridge design and hydraulics to verify compliance with City standards and the New Hope Road reconstruction.

B. PROPERTY MAP SURVEY

a. **Design Survey.** Research parcels/lots along the proposed route and obtain copies of subdivision plats, utility easements and metes & bounds deeds. Prepare a deed sketch and locate property corners and establish existing right-of-way lines. Analyze and calculate the right-of-way and property lines of adjoining parcels. Addresses of parcels/lots shall be obtained and shown on the final design drawing. Provide a digital map in MicroStation V8i format, showing current ownership, addresses, easements and found property corners.

C. HYDRAULICS AND HYDROLOGY

a. Data Collection: FNI will obtain FEMA FIS reports, Hydrologic and/or Hydraulic models, effective LOMRs etc. as needed as well as obtain the draft VC-4 watershed models produced by Halff Associates for analysis of the existing and proposed crossings.

b. Hydrology: FNI will utilize the draft HEC-HMS models developed by Halff Associates for the VC-4 watershed. FNI will review these models for general appropriateness and notify the Owner if additional modeling is necessary. The 100-year fully developed discharge will be approximated from these models existing conditions models.

c. Hydraulic Analysis: FNI will model the existing and proposed crossings at schematic level using the HEC-RAS models developed by Halff Associates for the VC-4 watershed. FNI will review these models for general appropriateness and notify the Owner if additional modeling is necessary. FNI will update these models with design topography in the area of the road if available. Minor drainage crossings will be analyzed using CulvertMaster or HY-8.

d. Crossing Sizing: A single recommended schematic culvert size will be determined for four identified stream crossings. The culverts will be sized to convey the approximated fully developed 100-year event as well as be sized to cause no adverse impact to the floodplain under existing land use conditions unless infeasible.

e. Technical Memorandum: FNI will produce a technical memorandum describing the hydrology and hydraulic assumptions, methodologies, and results including recommended schematic crossing sizes. The technical memorandum will also discuss floodplain regulatory considerations and FEMA coordination for final design and post-construction.

D. ENVIRONMENTAL

**PHASE I**

Phase I of the project consists of the south 0.47 mile (2,500 linear feet) of proposed New Hope Road expansion project area.

**Task 1. Gather and Review Existing Information**

FNI will compile readily available existing information and prepare maps of the proposed project site in preparation for the pedestrian survey. The types of information that will be gathered will include, but is not limited to, U.S. Geological Survey (USGS) 7.5-minute topographic maps, U.S. Fish and Wildlife Service (USFWS) National Wetlands Inventory (NWI) maps, Natural Resources Conservation Service (NRCS) soils maps, as well as recent and historical aerial photographs of the site.

**Task 2. Conduct Pedestrian Survey**

FNI will conduct a pedestrian survey along the existing roadway right-of-way (ROW) to make observations of existing environmental conditions and identify types and locations of potential waters of the U.S. This task does not include conducting detailed wetland delineations necessary for the preparation and submittal of a Pre-Construction Notification (PCN) to the USACE.

**Task 3. Coordinate with the Texas Historical Commission**

Projects sponsored by public entities that affect a cumulative area greater than five acres or that disturb more than 5,000 cubic yards require advance consultation with the Texas Historical Commission (THC) according to Section 191.0525 (d) of the Antiquities Code of Texas. Because the proposed project is expected to exceed one or both of these thresholds, coordination with THC is assumed to be required. FNI will draft a consultation letter to the THC for City's review and comment. FNI will incorporate City's comments and submit the consultation letter to the THC. Any follow up studies requested by the THC are not included in this scope of services but can be provided upon written authorization.

**Task 4. Prepare Technical Memorandum**

Based on our understanding of the proposed project, it appears that the pipeline could be constructed to meet the terms and conditions of NWP 14, without requiring notification to the USACE. Information gathered during the pedestrian survey and consultation with the THC will be used to prepare a draft technical memorandum. The memorandum will include discussions of methodologies used, the hydrologic characterization and locations of potential waters of the U.S., and an opinion on their jurisdictional status. This memorandum will also include a discussion of how the proposed project would meet the terms and conditions of NWP 14, without requiring notification to the USACE. The draft technical memorandum will be submitted to the City for review and comment. After incorporating City's comments into the document, FNI will submit a final technical memorandum to the City.

**PHASE II**
Phase II of the project consists of the north 1.33 miles (7004 linear feet) of proposed New Hope Road expansion project area.

**Task 1. Gather and Review Existing Information**
FNI will compile readily available existing information and prepare maps of the proposed project site in preparation for the pedestrian survey. The types of information that will be gathered will include, but is not limited to, U.S. Geological Survey (USGS) 7.5-minute topographic maps, U.S. Fish and Wildlife Service (USFWS) National Wetlands Inventory (NWI) maps, Natural Resources Conservation Service (NRCS) soils maps, as well as recent and historical aerial photographs of the site.

**Task 2. Conduct Pedestrian Survey**
FNI will conduct a pedestrian survey along the existing roadway right-of-way (ROW) to make observations of existing environmental conditions and identify types and locations of potential waters of the U.S. This task does not include conducting detailed wetland delineations necessary for the preparation and submittal of a Pre-Construction Notification (PCN) to the USACE.

**Task 3. Coordinate with the Texas Historical Commission**
Projects sponsored by public entities that affect a cumulative area greater than five acres or that disturb more than 5,000 cubic yards require advance consultation with the Texas Historical Commission (THC) according to Section 191.0525 (d) of the Antiquities Code of Texas. Because the proposed project is expected to exceed one or both of these thresholds, coordination with THC is assumed to be required. FNI will draft a consultation letter to the THC for City's review and comment. FNI will incorporate City's comments and submit the consultation letter to the THC. Any follow up studies requested by the THC are not included in this scope of services but can be provided upon written authorization.

**Task 4. Prepare Technical Memorandum**
Based on our understanding of the proposed project, it appears that the pipeline could be constructed to meet the terms and conditions of NWP 14, without requiring notification to the USACE. Information gathered during the pedestrian survey and consultation with the THC will be used to prepare a draft technical memorandum. The memorandum will include discussions of methodologies used, the hydrologic characterization and locations of potential waters of the U.S., and an opinion on their jurisdictional status. This memorandum will also include a discussion of how the proposed project would meet the terms and conditions of NWP 14, without requiring notification to the USACE. The draft technical memorandum will be submitted to the City for review and comment. After incorporating City's comments into the document, FNI will submit a final technical memorandum to the City.

ARTICLE II

**ADDITIONAL SERVICES:** Additional Services to be performed by FNI, if authorized by OWNER, which are not included in the above described basic services, are described as follows:

A. Design of the Project beyond schematic design as outlined in Article I.

B. Providing detailed topographic survey.

C. Field layouts or the furnishing of construction line and grade surveys.

D. GIS mapping services or assistance with these services.

E. Preparation of right-of-way and/or easement legal documents.

F. Providing renderings, model, and mock-ups requested by the OWNER.

G. Making revisions to drawings, specifications or other documents when such revisions are 1) not consistent with approvals or instructions previously given by OWNER or 2) due to other causes not solely within the control of FNI.

H. Preparing applications and supporting documents for government grants, loans, or planning advances and providing data for detailed applications.

I. Preparing data and reports for assistance to OWNER in preparation for hearings before regulatory agencies, courts, arbitration panels or any mediator, giving testimony, personally or by deposition, and preparations therefore before any regulatory agency, court, arbitration panel or mediator.

J. Assisting OWNER in the defense or prosecution of litigation in connection with or in addition to those services contemplated by this AGREEMENT. Such services, if any, shall be furnished by FNI on a fee basis negotiated by the respective parties outside of and in addition to this AGREEMENT.

K. Providing basic or additional services on an accelerated time schedule. The scope of this service include cost for overtime wages of employees and consultants, inefficiencies in work sequence and plotting or reproduction costs directly attributable to an accelerated time schedule directed by the OWNER.

L. Preparing statements for invoicing or other documentation for billing other than for the standard invoice for services attached to this professional services agreement.

M. Provide Geotechnical investigations, studies and reports.

N. Additional Environmental Services:
1. Preparation of a Pre-Construction Notification (PCN) for submittal to the USACE.
2. Conducting an archeological survey along the proposed roadway alignments.
3. Formal delineations of potential waters of the U.S.
4. Preparation of a preliminary Jurisdictional Determination report.
5. Conduct a tree survey as per the Kennedale, Texas Code of Ordinances; Chapter 16 (*Recreation and Cultural Activities*); Article VI (*Natural Resource Management*).
6. Conducting a functional or condition assessment (e.g., TXRAM) on waters of the U.S. potentially impacted by the proposed project.
7. Preparation of an individual 404 permit application (IP).
8. Presence/absence surveys for federally listed threatened/endangered species.
9. Application for Texas Parks & Wildlife Department Sand and Gravel Permit.
10. Application for General Land Office Easement.
11. Consultation with the U.S. Fish and Wildlife Service under Section 7 of the Endangered Species Act.
12. Other environmental services not specifically defined in this scope of services.

ARTICLE III

**TIME OF COMPLETION:** FNI is authorized to commence work on the Project upon execution of this AGREEMENT and agrees to complete the services in accordance with the following schedule:

Phase I
Preliminary Alignment Study – 4 months after notice to proceed
Preliminary Design Schematic – 1 month after preliminary alignment study meeting
Final Design Schematic – 1 month after schematic review meeting

Phase II (separate notification from City required prior to commencing work)
Preliminary Alignment Study – 4 months after notice to proceed
Preliminary Design Schematic – 1 month after preliminary alignment study meeting
Final Design Schematic – 1 month after schematic review meeting

If FNI's services are delayed through no fault of FNI, FNI shall be entitled to adjust contract schedule consistent with the number of days of delay. These delays may include but are not limited to delays in OWNER or regulatory reviews, delays on the flow of information to be provided to FNI, governmental approvals, etc. These delays may result in an adjustment to compensation as outlined on the face of this AGREEMENT and in Attachment CO.

ARTICLE IV

**RESPONSIBILITIES OF OWNER:** OWNER shall perform the following in a timely manner so as not to delay the services of FNI:

A. Designate in writing a person to act as OWNER's representative with respect to the services to be rendered under this AGREEMENT. Such person shall have contract authority to transmit instructions, receive information, interpret and define OWNER's policies and decisions with respect to FNI's services for the Project.

B. Provide all criteria and full information as to OWNER's requirements for the Project, including design objectives and constraints, space, capacity and performance requirements, flexibility and expandability, and any budgetary limitations; and furnish copies of all design and construction standards which OWNER will require to be included in the drawings and specifications.

C. Assist FNI by placing at FNI's disposal all available information pertinent to the Project including previous reports and any other data relative to design or construction of the Project.

D. Arrange for access to and make all provisions for FNI to enter upon public and private property as required for FNI to perform services under this AGREEMENT.

E. Examine all studies, reports, sketches, drawings, specifications, proposals and other documents presented by FNI, obtain advice of an attorney, insurance counselor and other consultants as OWNER deems appropriate for such examination and render in writing decisions pertaining thereto within a reasonable time so as not to delay the services of FNI.

F. Furnish approvals and permits from all governmental authorities having jurisdiction over the Project and such approvals and consents from others as may be necessary for completion of the Project.



FNI BCC
OWNER

G. Provide such accounting, independent cost estimating and insurance counseling services as may be required for the Project, such legal services as OWNER may require or FNI may reasonably request with regard to legal issues pertaining to the Project.

H. Give prompt written notice to FNI whenever OWNER observes or otherwise becomes aware of any development that affects the scope or timing of FNI's services, or any defect or nonconformance of the work of any Contractor.

I. Furnish, or direct FNI to provide, Additional Services as stipulated in Attachment SC, Article II of this AGREEMENT or other services as required.

J. Bear all costs incident to compliance with the requirements of this Article IV.

## ARTICLE V

**DESIGNATED REPRESENTATIVES**: FNI and OWNER designate the following representatives:

| | |
|---|---|
| Owner's Designated Representative – | Larry Ledbetter<br>923 E. Kennedale Parkway<br>Kennedale, TX 76060<br>Phone: 817-975-2171<br>E-mail: lledbetter@cityofkennedale.com |
| FNI's Designated Representative – | Mazen Kawasmi<br>4055 International Plaza, Suite 200<br>Fort Worth, TX 76109<br>Phone: 817-735-7432<br>Fax: 817-735-7491<br>E-mail: mhk@freese.com |
| FNI's Accounting Representative – | Stephanie Steinmetz<br>2711 N. Haskell Ave., Ste. 3300<br>Dallas, TX 75204<br>Phone: 214-217-2212<br>Fax: 214-217-2201<br>E-mail: stephanie.steinmetz@freese.com |

## COMPENSATION

Lump Sum: Compensation to FNI shall be the lump sum total of One Hundred Seventy Two Thousand Six Hundred Thirty Five Dollars and No Cents ($172,635). This compensation will be broken into Phase I and Phase II as described in Attachment SC. Phase I compensation shall be a lump sum total of Sixty-Two Thousand Nine Hundred Seventy Nine Dollars and No Cents ($62,979) and shall be authorized by this contract approval. Phase II compensation shall be a lump sum total of One Hundred Nine Thousand Six Hundred Fifty Six Dollars and No Cents ($109,656) and shall require separate written approval prior to commencement of work. If FNI sees the Scope of Services changing so that additional services are needed, including but not limited to those services described as Additional Services in Attachment SC, FNI will notify OWNER for OWNER'S approval before proceeding. Additional Services shall be computed based on the Schedule of Charges.

**Schedule of Charges:**

| Position | Rate |
|---|---|
| Professional - 1 | 107 |
| Professional - 2 | 130 |
| Professional - 3 | 146 |
| Professional - 4 | 169 |
| Professional - 5 | 197 |
| Professional - 6 | 225 |
| Construction Manager - 1 | 85 |
| Construction Manager - 2 | 111 |
| Construction Manager - 3 | 131 |
| Construction Manager - 4 | 164 |
| CAD Technician/Designer - 1 | 91 |
| CAD Technician/Designer - 2 | 117 |
| CAD Technician/Designer - 3 | 145 |
| Corporate Project Support - 1 | 87 |
| Corporate Project Support - 2 | 105 |
| Corporate Project Support - 3 | 139 |
| Intern/ Coop | 53 |

**Rates for In-House Services**

**Technology Charge**
$8.50 per hour

**Travel**
Standard IRS Rates

**Bulk Printing and Reproduction**

| | |
|---|---|
| Black and White | $0.10 per copy |
| Color | $0.25 per copy |
| Plot - Bond | $2.50 per plot |
| Plot - Color | $5.75 per plot |
| Plot - Other | $5.00 per plot |
| Binding | $0.25 per binding |

**OTHER DIRECT EXPENSES:**

Other direct expenses are reimbursed at actual cost times a multiplier of 1.10. They include outside printing and reproduction expense, communication expense, travel, transportation and subsistence away from the FNI office and other miscellaneous expenses directly related to the work, including costs of laboratory analysis, test, and other work required to be done by independent persons other than staff members. For Resident Representative services performed by non-FNI employees and CAD services performed In-house by non-FNI employees where FNI provides workspace and equipment to perform such services, these services will be billed at cost times a multiplier of 2.0. This markup approximates the cost to FNI if an FNI employee was performing the same or similar services.

**These rates will be adjusted annually.**

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FNI BCC
OWNER [initials]

# TERMS AND CONDITIONS OF AGREEMENT

1. **DEFINITIONS:** The term Owner as used herein refers to the City of Kennedale, Texas. The term FNI as used herein refers to Freese and Nichols, Inc., its employees and agents; also its subcontractors and their employees and agents. As used herein, Services refers to the professional services performed by Freese and Nichols pursuant to the AGREEMENT.

2. **CHANGES:** Owner, without invalidating the AGREEMENT, may order changes within the general scope of the WORK required by the AGREEMENT by altering, adding to and/or deducting from the WORK to be performed. If any change under this clause causes an increase or decrease in FNI's cost of, or the time required for, the performance of any part of the Services under the AGREEMENT, an equitable adjustment will be made by mutual agreement and the AGREEMENT modified in writing accordingly.

3. **TERMINATION:** The obligation to provide services under this AGREEMENT may be terminated by either party upon ten days' written notice. In the event of termination, FNI will be paid for all services rendered and reimbursable expenses incurred to the date of termination and, in addition, all reimbursable expenses directly attributable to termination.

4. **CONSEQUENTIAL DAMAGES:** In no event shall FNI or its subcontractors be liable in contract, tort, strict liability, warranty, or otherwise for any special, indirect, incidental or consequential damages, such as loss of product, loss of use of the equipment or system, loss of anticipated profits or revenue, non-operation or increased expense of operation or other equipment or systems.

5. **INFORMATION FURNISHED BY OWNER:** Owner will assist FNI by placing at FNI's disposal all available information pertinent to the Project including previous reports and any other data relative to design or construction of the Project. FNI shall have no liability for defects or negligence in the Services attributable to FNI's reliance upon or use of data, design criteria, drawings, specifications or other information furnished by Owner and Owner agrees to indemnify and hold FNI harmless from any and all claims and judgments, and all losses, costs and expenses arising therefrom. FNI shall disclose to Owner, prior to use thereof, defects or omissions in the data, design criteria, drawings, specifications or other information furnished by Owner to FNI that FNI may reasonably discover in its review and inspection thereof.

6. **INSURANCE:** FNI shall provide to Owner certificates of insurance which shall contain the following minimum coverage (All limits in thousands):

| | | | |
|---|---|---|---|
| **Commercial General Liability** | | **Workers' Compensation** | |
| General Aggregate | $2,000 | Each Accident | $500 |
| **Automobile Liability** (Any Auto) | | **Professional Liability** | |
| CSL | $1,000 | $3,000 Annual Aggregate | |

7. **SUBCONTRACTS:** If, for any reason, at any time during the progress of providing Services, Owner determines that any subcontractor for FNI is incompetent or undesirable, Owner will notify FNI accordingly and FNI shall take immediate steps for cancellation of such subcontract. Subletting by subcontractors shall be subject to the same regulations. Nothing contained in the AGREEMENT shall create any contractual relation between any subcontractor and Owner.

8. **OWNERSHIP OF DOCUMENTS:** All drawings, reports data and other project information developed in the execution of the Services provided under this AGREEMENT shall be the property of the Owner upon payment of FNI's fees for services. FNI may retain copies for record purposes. Owner agrees such documents are not intended or represented to be suitable for reuse by Owner or others. Any reuse by Owner or by those who obtained said documents from Owner without written verification or adaptation by FNI will be at Owner's sole risk and without liability or legal exposure to FNI, or to FNI's independent associates or consultants, and Owner shall indemnify and hold harmless FNI and FNI's independent associates and consultants from all claims, damages, losses and expenses including attorneys' fees arising out of or resulting therefrom. Any such verification or adaptation will entitle FNI to further reasonable compensation. FNI may reuse all drawings, report data and other project information in the execution of the Services provided under this AGREEMENT in FNI's other activities. Any reuse by FNI will be at FNI's sole risk and without liability or legal exposure to Owner, and FNI shall indemnify and hold harmless Owner from all claims, damages, losses and expenses including attorneys' fees arising out of or resulting therefrom.



FNI BCC
OWNER

9. **POLLUTANTS AND HAZARDOUS WASTES:** It is understood and agreed that FNI has neither created nor contributed to the creation or existence of any hazardous, radioactive, toxic, irritant, pollutant, or otherwise dangerous substance or condition at the site, if any, and its compensation hereunder is in no way commensurate with the potential risk of injury or loss that may be caused by exposures to such substances or conditions. The parties agree that in performing the Services required by this AGREEMENT, FNI does not take possession or control of the subject site, but acts as an invitee in performing the services, and is not therefore responsible for the existence of any pollutant present on or migrating from the site. Further, FNI shall have no responsibility for any pollutant during clean-up, transportation, storage or disposal activities.

10. **OPINION OF PROBABLE COSTS:** FNI will furnish an opinion of probable project development cost based on present day cost, but does not guarantee the accuracy of such estimates. Opinions of probable cost, financial evaluations, feasibility studies, economic analyses of alternate solutions and utilitarian considerations of operations and maintenance costs prepared by FNI hereunder will be made on the basis of FNI's experience and qualifications and represent FNI's judgment as an experienced and qualified design professional. It is recognized, however, that FNI does not have control over the cost of labor, material, equipment or services furnished by others or over market conditions or contractors' methods of determining their prices.

11. **CONSTRUCTION REPRESENTATION:** If required by the AGREEMENT, FNI will furnish Construction Representation according to the defined scope for these services. FNI will observe the progress and the quality of work to determine in general if the work is proceeding in accordance with the Contract Documents. In performing these services, FNI will endeavor to protect Owner against defects and deficiencies in the work of Contractors; FNI will report any observed deficiencies to Owner, however, it is understood that FNI does not guarantee the Contractor's performance, nor is FNI responsible for the supervision of the Contractor's operation and employees. FNI shall not be responsible for the means, methods, techniques, sequences or procedures of construction selected by the Contractor, or the safety precautions and programs incident to the work of the Contractor. FNI shall not be responsible for the acts or omissions of any person (except his own employees or agent) at the Project site or otherwise performing any of the work of the Project. If Owner designates a person to serve in the capacity of Resident Project Representative who is not a FNI's employee or FNI's agent, the duties, responsibilities and limitations of authority of such Resident Project Representative(s) will be set forth in writing and made a part of this AGREEMENT before the Construction Phase of the Project begins.

12. **PAYMENT:** Progress payments may be requested by FNI based on the amount of services completed. Payment for the services of FNI shall be due and payable upon submission of a statement for services to OWNER and in acceptance of the services as satisfactory by the OWNER. Statements for services shall not be submitted more frequently than monthly. Any applicable new taxes imposed upon services, expenses, and charges by any governmental body after the execution of this AGREEMENT will be added to FNI's compensation.

    If OWNER fails to make any payment due FNI for services and expenses within thirty (30) days after receipt of FNI's statement for services therefore, the amounts due FNI will be increased at the rate of one percent (1%) per month from said thirtieth (30th) day, and, in addition, FNI may, after giving seven (7) days' written notice to OWNER, suspend services under this AGREEMENT until FNI has been paid in full, all amounts due for services, expenses and charges.

13. **ARBITRATION:** No arbitration arising out of, or relating to, this AGREEMENT involving one party to this AGREEMENT may include the other party to this AGREEMENT without their approval.

14. **SUCCESSORS AND ASSIGNMENTS:** OWNER and FNI each are hereby bound and the partners, successors, executors, administrators and legal representatives of OWNER and FNI are hereby bound to the other party to this AGREEMENT and to the partners, successors, executors, administrators and legal representatives (and said assigns) of such other party, in respect of all covenants, agreements and obligations of this AGREEMENT.

    Neither OWNER nor FNI shall assign, sublet or transfer any rights under or interest in (including, but without limitation, moneys that may become due or moneys that are due) this AGREEMENT without the written consent of the other, except to the extent that any assignment, subletting or transfer is mandated by law or the effect of this limitation may be restricted by law. Unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under this AGREEMENT. Nothing contained in this paragraph shall prevent FNI from employing such independent associates and consultants as FNI may deem appropriate to assist in the performance of services hereunder.

15. **PURCHASE ORDERS:** If a Purchase Order is used to authorize FNI's Services, only the terms, conditions/instructions typed on the face of the Purchase Order shall apply to this AGREEMENT. Should there be any conflict between the Purchase Order and the terms of this AGREEMENT, then this AGREEMENT shall prevail and shall be determinative of the conflict.



FNI BCC
OWNER [initials]

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**Travel**
Standard IRS Rates

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**These rates will be adjusted annually.**

# Exhibit A – Project Overview Map

KENNEDALE
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## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - E.

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**I. Subject:**
Consider approval of the engineering contract with Freese and Nichols for the local match projects related to the New Hope Road Bridge TxDOT Bridge Replacement Project

**II. Originated by:**

Larry Hoover, Streets and Parks Supervisor

**III. Summary:**
Freese and Nichols Engineering has submitted a contract of $37,524 for the design and the facilitation of construction of the two local match projects associated with the New Hope Road Bridge Project, as identified in Resolution 522 (attached) that was adopted by the City Council in April of 2018. The contract covers the entire project from start to finish, including design, bidding, and construction.

The local match projects will be a locally let, meaning that the City will be responsible for completion of all aspects of the projects following the TxDOT local let project requirements. One such requirement is that these two projects must be completed within three years of approval by the State.

**IV. Fiscal Impact Summary:**
Funding for this project will need to be appropriated in FY19, through the operating budget as either an operating expense or through the issuance of debt.

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | Valley and Averett Roads Agreement | Valley_Averett_Agreement.pdf |

07/16

# AGREEMENT FOR PROFESSIONAL SERVICES

STATE OF TEXAS §

COUNTY OF TARRANT §

This Agreement is entered into by the City of Kennedale, hereinafter called "City" and Freese and Nichols, Inc., hereinafter called "FNI." In consideration of the Agreements herein, the parties agree as follows:

I. **EMPLOYMENT OF FNI:** In accordance with the terms of this Agreement: City agrees to employ FNI; FNI agrees to perform professional services in connection with the Project; City agrees to pay to FNI compensation. The Project is described as follows: Structural Repairs to Bridges at Averett Road and Valley Lane.

II. **SCOPE OF SERVICES:** FNI shall render professional services in connection with Project as set forth in Attachment SC - Scope of Services and Responsibilities of City which is attached to and made a part of this Agreement.

III. **COMPENSATION:** City agrees to pay FNI for all professional services rendered under this Agreement. FNI shall perform professional services as outlined in the "Scope of Services" for a lump sum fee of $37,524.

If FNI's services are delayed or suspended by City, or if FNI's services are extended for more than 60 days through no fault of FNI, FNI shall be entitled to equitable adjustment of rates and amounts of compensation to reflect reasonable costs incurred by FNI in connection with such delay or suspension and reactivation and the fact that the time for performance under this Agreement has been revised.

IV. **TERMS AND CONDITIONS OF AGREEMENT:** The Terms and Conditions of Agreement as set forth as Attachment TC shall govern the relationship between the City and FNI.

Nothing under this Agreement shall be construed to give any rights or benefits in this Agreement to anyone other than City and FNI, and all duties and responsibilities undertaken pursuant to this Agreement will be for the sole and exclusive benefit of City and FNI and not for the benefit of any other party.

This Agreement constitutes the entire Agreement between City and FNI and supersedes all prior written or oral understandings.

This contract is executed in two counterparts.
IN TESTIMONY HEREOF, they have executed this Agreement, the _____ day of_______________, 2018.

ATTEST:

______________________________

**City of Kennedale**
(City)

By:______________________________

______________________________
Print Name and Title

ATTEST:

______________________________

**Freese and Nichols, Inc.**
(FNI)

By:______________________________
John F. Dewar, P.E., S.E., Principal & Vice-President

L:\Resources\OLCR\K\Kennedale\Valley Lane & Averett Rd Repairs\PRIME AGREEMENT-revised 2018-05-24.docx\

## SCOPE OF SERVICES AND RESPONSIBILITIES OF CITY

ARTICLE I

**BASIC SERVICES:** FNI shall render the following professional services to the City of Kennedale for Design, Bid, and Construction Phase Services for Repair of the Averett Road and Valley Lane bridges. This work shall consist of spall repairs and guardrail installation along the Valley Lane Bridge and approaches, and minor stream stabilization to protect bridge piers and mill and overlay of Averett Road in vicinity of the creek crossing.

A. DESIGN PHASE: FNI shall provide professional services in this phase as follows:

1. Attend and facilitate initial design review meeting with City and design team.
2. Prepare drawings, specifications, Construction Contract Documents, designs, and layouts of improvements to be constructed (surveys to be furnished as Additional Services, pursuant to Article II).
3. Conduct Environmental Review
   a. *Task 1. Gather and Review Existing Information.* FNI will compile readily available existing information and prepare maps of the proposed project site in preparation for the site visit. The types of information that will be gathered will include, but is not limited to, U.S. Geological Survey (USGS) 7.5-minute topographic maps, U.S. Fish and Wildlife Service (USFWS) National Wetlands Inventory (NWI) maps, Natural Resources Conservation Service (NRCS) soils maps, as well as recent and historical aerial photographs of the site.
   b. *Task 2. Conduct Pedestrian Survey.* FNI will conduct a site visit to make observations of existing environmental conditions and identify types and locations of potential waters of the U.S. This task does not include conducting detailed wetland delineations necessary for the preparation and submittal of a PCN to the USACE.
   c. *Task 3. Prepare Technical Memorandum.* Based on our understanding of the proposed project, it appears that the bridge rehabilitation project could be designed to meet the terms and conditions of NWP 14 without requiring notification to the USACE. Information gathered during the site visit will be used to prepare a draft technical memorandum. The memorandum will include discussions of methodologies used, the hydrologic characterization and locations of potential waters of the U.S., and an opinion on their jurisdictional status. This memorandum will also include a discussion of how the proposed project would meet the terms and conditions of NWP 14 without requiring notification to the USACE. The draft technical memorandum will be submitted to the City for review and comment. After incorporating City's comments into the document, FNI will submit a final technical memorandum to the City.
4. Attend and facilitate 90% design review meeting with City and design team.
5. Prepare bidder's proposal forms (project quantities) of the improvements to be constructed.
6. Upon final approval by City, FNI will provide City two (2) sets of "Final" drawings and specifications.

B. BID OR NEGOTIATION PHASE. Upon completion of the design services and approval of "Final" drawings and specifications by City, FNI will proceed with the performance of services in this phase as follows:

1. Assist City by responding to questions and interpreting bid documents. Prepare and issue addenda to the bid documents to plan holders if necessary.

2. Prepare bid tabulation and letter of recommendation upon receipt of bids.



FNI ____
CITY ____

3. Furnish contractor copies of the drawings and specifications for construction pursuant to the General Conditions of the Construction Contract.

D. CONSTRUCTION PHASE: Upon completion of the bid or negotiation phase services, FNI will proceed with the performance of construction phase services as described below. FNI will endeavor to protect City in providing these services however, it is understood that FNI does not guarantee the Contractor's performance, nor is FNI responsible for supervision of the Contractor's operation and employees. FNI shall not be responsible for the means, methods, techniques, sequences or procedures of construction selected by the Contractor, or any safety precautions and programs relating in any way to the condition of the premises, the work of the Contractor or any Subcontractor. FNI shall not be responsible for the acts or omissions of any person (except its own employees or agents) at the Project site or otherwise performing any of the work of the Project.

These services are based on the use of FNI standard General Conditions for construction projects. Modifications to these services required by use of other general conditions or contract administration procedures are an additional service. If general conditions other than FNI standards are used, the City agrees to include provisions in the construction contract documents that will require the construction contractor to include FNI and their subconsultants on this project to be listed as an additional insured on contractor's insurance policies.

1. Assist City in conducting pre-construction conference(s) with the Contractor(s), review construction schedules prepared by the Contractor(s) pursuant to the requirements of the construction contract, and prepare a proposed estimate of monthly cash requirements of the Project from information provided by the Construction Contractor.

2. Establish and maintain a project documentation system consistent with the requirements of the construction contract documents. Monitor the processing of contractor's submittals and provide for filing and retrieval of project documentation. Produce monthly reports indicating the status of all submittals in the review process. Review contractor's submittals, including, requests for information, modification requests, shop drawings, schedules, and other submittals in accordance with the requirements of the construction contract documents for the projects. Monitor the progress of the contractor in sending and processing submittals to see that documentation is being processed in accordance with schedules.

3. Based on FNI's observations as an experienced and qualified design professional and review of the Payment Requests and supporting documentation submitted by Contractor, determine the amount that FNI recommends Contractor be paid on monthly and final estimates, pursuant to the General Conditions of the Construction Contract.

4. Make two (2) visits appropriate to the stage of construction to the site (as distinguished from the continuous services of a Resident Project Representative) to observe the progress and the quality of work and to attempt to determine in general if the work is proceeding in accordance with the Construction Contract Documents. In this effort FNI will endeavor to protect the City against defects and deficiencies in the work of Contractors and will report any observed deficiencies to City. Visits to the site in excess of the specified number are an additional service.

5. Notify the contractor of non-conforming work observed on site visits. Review quality related documents provided by the contractor such as test reports, equipment installation reports or other documentation required by the Construction contract documents.



FNI ____
CITY ____

6. Interpret the drawings and specifications for City and Contractor(s). Investigations, analyses, and studies requested by the Contractor(s) and approved by City, for substitutions of equipment and/or materials or deviations from the drawings and specifications is an additional service.

7. Prepare documentation for contract modifications required to implement modifications in the design of the project. Receive and evaluate notices of contractor claims and make recommendations to the City on the merit and value of the claim on the basis of information submitted by the contractor or available in project documentation. Endeavor to negotiate a settlement value with the Contractor on behalf of the City if appropriate. Providing these services to review or evaluate construction contractor(s) claim(s), supported by causes not within the control of FNI are an additional service.

8. Conduct, in company with City's representative, a final review of the Project for conformance with the design concept of the Project and general compliance with the Construction Contract Documents. Prepare a list of deficiencies to be corrected by the contractor before recommendation of final payment. Assist the City in obtaining legal releases, permits, warranties, spare parts, and keys from the contractor. Review and comment on the certificate of completion and the recommendation for final payment to the Contractor(s). Visiting the site to review completed work in excess of two trips are an additional service.

ARTICLE II

**ADDITIONAL SERVICES:** Additional Services to be performed by FNI, if authorized by City, which are not included in the above described basic services, are described as follows:

A. Field surveying required for the preparation of designs and drawings.

B. Field layouts or the furnishing of construction line and grade surveys.

C. GIS mapping services or assistance with these services.

D. Making property, boundary and right-of-way surveys, preparation of easement and deed descriptions, including title search and examination of deed records.

E. Providing services to investigate existing conditions or facilities, or to make measured drawings thereof, or to verify the accuracy of drawings or other information furnished by City.

F. Providing renderings, model, and mock-ups requested by the City.

G. Making revisions to drawings, specifications or other documents when such revisions are 1) not consistent with approvals or instructions previously given by City or 2) due to other causes not solely within the control of FNI.

H. Preparing applications and supporting documents for government grants, loans, or planning advances and providing data for detailed applications.

I. Providing shop, mill, field or laboratory inspection of materials and equipment. Observe factory tests of equipment at any site remote to the project or observing tests required as a result of equipment failing the initial test.



FNI ____
CITY ____

J. Preparing data and reports for assistance to City in preparation for hearings before regulatory agencies, courts, arbitration panels or any mediator, giving testimony, personally or by deposition, and preparations therefore before any regulatory agency, court, arbitration panel or mediator.

K. Furnishing the services of a Resident Project Representative to act as City's on-site representative during the Construction Phase. The Resident Project Representative will act as directed by FNI in order to provide more extensive representation at the Project site during the Construction Phase. Through more extensive on-site observations of the work in progress and field checks of materials and equipment by the Resident Project Representative and assistants, FNI shall endeavor to provide further protection for City against defects and deficiencies in the work. Furnishing the services of a Resident Project Representative is subject to the provisions of Article I, D and Attachment RPR.

If City provides personnel to support the activities of the Resident Project Representative who is FNI or FNI's agent or employee, the duties, responsibilities and limitations of authority of such personnel will be set forth in an Attachment attached to and made a part of this Agreement before the services of such personnel are begun. It is understood and agreed that such personnel will work under the direction of and be responsible to the Resident Project Representative. City agrees that whenever FNI informs him in writing that any such personnel provided by the City are, in his opinion, incompetent, unfaithful or disorderly, such personnel shall be replaced.

L. Furnishing Special Inspections required under chapter 17 of the International Building Code. These Special Inspections are often continuous, requiring an inspector dedicated to inspection of the individual work item, and they are in additional to General Representation and Resident Representation services noted elsewhere in the contract. These continuous inspection services can be provided by FNI as an Additional Service.

M. Preparation of Conformed or "As Bid" plans and specifications for use during the construction phase. These documents shall involve the incorporation of addenda items into the Contract Documents through modification of the electronic files and reprinting of the plans and specifications inclusive of the incorporated changes.

N. Assisting City in preparing for, or appearing at litigation, mediation, arbitration, dispute review boards, or other legal and/or administrative proceedings in the defense or prosecution of claims disputes with Contractor(s).

O. Performing investigations, studies and analyses of substitutions of equipment and/or materials or deviations from the drawings and specifications.

P. Assisting City in the defense or prosecution of litigation in connection with or in addition to those services contemplated by this Agreement. Such services, if any, shall be furnished by FNI on a fee basis negotiated by the respective parties outside of and in addition to this Agreement.

Q. Performing investigations, studies, and analysis of work proposed by construction contractors to correct defective work.

R. Design, contract modifications, studies or analysis required to comply with local, State, Federal or other regulatory agencies that become effective after the date of this agreement.

S. Services required to resolve bid protests or to rebid the projects for any reason.

T. Visits to the site in excess of the number of trips included in Article I for periodic site visits, coordination meetings, or contract completion activities.



FNI ______
CITY ______

U. Any services required as a result of default of the contractor(s) or the failure, for any reason, of the contractor(s) to complete the work within the contract time.

V. Providing services after the completion of the construction phase not specifically listed in Article I.

W. Providing basic or additional services on an accelerated time schedule. The scope of this service include cost for overtime wages of employees and consultants, inefficiencies in work sequence and plotting or reproduction costs directly attributable to an accelerated time schedule directed by the City.

X. Providing services made necessary because of unforeseen, concealed, or differing site conditions or due to the presence of hazardous substances in any form.

Y. Providing services to review or evaluate construction contractor(s) claim(s), provided said claims are supported by causes not within the control of FNI.

Z. Providing value engineering studies or reviews of cost savings proposed by construction contractors after bids have been submitted.

AA. Preparing statements for invoicing or other documentation for billing other than for the standard invoice for services attached to this professional services agreement.

BB. Provide follow-up professional services during Contractor's warranty period.

CC. Provide Geotechnical investigations, studies and reports.

DD. Additional Environmental Services

a. Preparation of a Pre-Construction Notification (PCN) for submittal to the USACE.
b. Coordination with the Texas Historical Commission.
c. Conducting an archeological survey along the proposed pipeline alignments.
d. Formal delineations of potential waters of the U.S.
e. Preparation of a preliminary Jurisdictional Determination report.
f. Conduct a tree survey as per the Kennedale, Texas Code of Ordinances; Chapter 16 (*Recreation and Cultural Activities*); Article VI (*Natural Resource Management*).
g. Conducting a functional or condition assessment (e.g., TXRAM) on waters of the U.S. potentially impacted by the proposed project.
h. Preparation of an individual 404 permit application (IP).
i. Presence/absence surveys for federally listed threatened/endangered species.
j. Application for Texas Parks & Wildlife Department Sand and Gravel Permit.
k. Application for General Land Office Easement.
l. Consultation with the U.S. Fish and Wildlife Service under Section 7 of the Endangered Species Act.
m. Other environmental services not specifically defined in this scope of services.



FNI ___ 
CITY ___

ARTICLE III

**TIME OF COMPLETION:** FNI is authorized to commence work on the Project upon execution of this Agreement and agrees to complete the services in accordance with the following schedule:

Pre-final plans (90%) – 8 weeks after notice-to-proceed
Final Plans (100%) – 8 weeks after review of 90% plans

If FNI's services are delayed through no fault of FNI, FNI shall be entitled to adjust contract schedule consistent with the number of days of delay. These delays may include but are not limited to delays in City or regulatory reviews, delays on the flow of information to be provided to FNI, governmental approvals, etc. These delays may result in an adjustment to compensation as outlined on the face of this Agreement.

ARTICLE IV

**RESPONSIBILITIES OF City:** City shall perform the following in a timely manner so as not to delay the services of FNI:

A. Designate in writing a person to act as City's representative with respect to the services to be rendered under this Agreement. Such person shall have contract authority to transmit instructions, receive information, interpret and define City's policies and decisions with respect to FNI's services for the Project.

B. Provide all criteria and full information as to City's requirements for the Project, including design objectives and constraints, space, capacity and performance requirements, flexibility and expandability, and any budgetary limitations; and furnish copies of all design and construction standards which City will require to be included in the drawings and specifications.

C. Assist FNI by placing at FNI's disposal all available information pertinent to the Project including previous reports and any other data relative to design or construction of the Project.

D. Arrange for access to and make all provisions for FNI to enter upon public and private property as required for FNI to perform services under this Agreement.

E. Examine all studies, reports, sketches, drawings, specifications, proposals and other documents presented by FNI, obtain advice of an attorney, insurance counselor and other consultants as City deems appropriate for such examination and render in writing decisions pertaining thereto within a reasonable time so as not to delay the services of FNI.

F. Furnish approvals and permits from all governmental authorities having jurisdiction over the Project and such approvals and consents from others as may be necessary for completion of the Project.

G. City shall make or arrange to have made all subsurface investigations, including but not limited to borings, test pits, soil resistivity surveys, and other subsurface explorations. City shall also make or arrange to have made the interpretations of data and reports resulting from such investigations. All costs associated with such investigations shall be paid by City.

H. Provide such accounting, independent cost estimating and insurance counseling services as may be required for the Project, such legal services as City may require or FNI may reasonably request with regard to legal issues pertaining to the Project including any that may be raised by Contractor(s), such



FNI ___
CITY ___

auditing service as City may require to ascertain how or for what purpose any Contractor has used the moneys paid under the construction contract, and such inspection services as City may require to ascertain that Contractor(s) are complying with any law, rule, regulation, ordinance, code or order applicable to their furnishing and performing the work.

I. City shall determine, prior to receipt of construction bid, if FNI is to furnish Resident Project Representative service so the Bidders can be informed.

J. If City designates a person to serve in the capacity of Resident Project Representative who is not FNI or FNI's agent or employee, the duties, responsibilities and limitations of authority of such Resident Project Representative(s) will be set forth in an Attachment attached to and made a part of this Agreement before the Construction Phase of the Project begins. Said attachment shall also set forth appropriate modifications of the Construction Phase services as defined in Attachment SC, Article I, C, together with such adjustment of compensation as appropriate.

K. Attend the pre-bid conference, bid opening, preconstruction conferences, construction progress and other job related meetings and substantial completion inspections and final payment inspections.

L. Give prompt written notice to FNI whenever City observes or otherwise becomes aware of any development that affects the scope or timing of FNI's services, or any defect or nonconformance of the work of any Contractor.

M. Furnish, or direct FNI to provide, Additional Services as stipulated in Attachment SC, Article II of this Agreement or other services as required.

N. Bear all costs incident to compliance with the requirements of this Article IV.

## ARTICLE V

**DESIGNATED REPRESENTATIVES**: FNI and City designate the following representatives:

| | |
|---|---|
| City's Designated Representative | Larry Hoover<br>150 N Little School Rd.<br>Kennedale, TX 76060<br>817-985-2170 Office<br>817-985-2115 Fax |
| FNI's Designated Representative | Alex Garcia, PE<br>4055 International Plaza, Suite 200<br>Fort Worth, TX 76109<br>817-735-7321 Office<br>aig@freese.com |
| FNI's Accounting Representative | Stephanie Kirchstein<br>4055 International Plaza, Suite 200<br>Fort Worth, TX 76109<br>214-217-2212 Office<br>Stephanie.kirchstein@freese.com |



FNI ___
CITY ___

# TERMS AND CONDITIONS OF AGREEMENT

1. **DEFINITIONS:** The term City as used herein refers to the City of Kennedale, Texas. The term FNI as used herein refers to Freese and Nichols, Inc., its employees and agents; also its subcontractors and their employees and agents. As used herein, Services refers to the professional services performed by Freese and Nichols pursuant to the AGREEMENT.

2. **CHANGES:** City, without invalidating the AGREEMENT, may order changes within the general scope of the WORK required by the AGREEMENT by altering, adding to and/or deducting from the WORK to be performed. If any change under this clause causes an increase or decrease in FNI's cost of, or the time required for, the performance of any part of the Services under the AGREEMENT, an equitable adjustment will be made by mutual agreement and the AGREEMENT modified in writing accordingly.

3. **TERMINATION:** The obligation to provide services under this AGREEMENT may be terminated by either party upon ten days' written notice. In the event of termination, FNI will be paid for all services rendered and reimbursable expenses incurred to the date of termination and, in addition, all reimbursable expenses directly attributable to termination.

   In the event of termination as provided in the Agreement, FNI shall deliver to the City all finished or unfinished documents, data, studies, surveys, drawings, maps, models, reports, photographs, etc., prepared by FNI under this Agreement. In the event of any termination hereunder, FNI consents to City's selection of another consultant of the City's choice to assist the City in any way in completing the Project. Provided that FNI has been properly paid under this Agreement, FNI further agrees to cooperate and provide any information requested by City in connection with the completion of the Project. FNI shall not be responsible or liable in any manner for City's use of unfinished work product or documents listed above.

4. **CONSEQUENTIAL DAMAGES:** In no event shall FNI or its subcontractors be liable in contract, tort, strict liability, warranty, or otherwise for any special, indirect, incidental or consequential damages, such as loss of product, loss of use of the equipment or system, loss of anticipated profits or revenue, non-operation or increased expense of operation or other equipment or systems.

5. **INFORMATION FURNISHED BY CITY:** City will assist FNI by placing at FNI's disposal all available information pertinent to the Project including previous reports and any other data relative to design or construction of the Project. FNI shall have no liability for defects or negligence in the Services attributable to FNI's reliance upon or use of data, design criteria, drawings, specifications or other information furnished by City and to the extent permitted by law, City agrees to indemnify and hold FNI harmless from any and all claims and judgments, and all losses, costs and expenses arising therefrom. FNI shall disclose to City, prior to use thereof, defects or omissions in the data, design criteria, drawings, specifications or other information furnished by City to FNI that FNI may reasonably discover in its review and inspection thereof.

6. **INSURANCE:** FNI shall provide to City certificates of insurance which shall contain the following minimum coverage:

| | | | |
|---|---|---|---|
| **Commercial General Liability** | | **Workers' Compensation** | |
| General Aggregate | $2,000,000 | Each Accident | $1,000,000 |
| **Automobile Liability** (Any Auto) | | **Professional Liability** | |
| CSL | $1,000,000 | $3,000,000 Annual Aggregate | |

7. **SUBCONTRACTS:** If, for any reason, at any time during the progress of providing Services, City determines that any subcontractor for FNI is incompetent or undesirable, City will notify FNI accordingly and FNI shall take immediate steps for cancellation of such subcontract. Subletting by subcontractors shall be subject to the same regulations. Nothing contained in the AGREEMENT shall create any contractual relation between any subcontractor and City.

8. **OWNERSHIP OF DOCUMENTS:** All drawings, reports data and other project information developed in the execution of the Services provided under this AGREEMENT shall be the property of the City upon payment of FNI's fees for services. FNI may retain copies for record purposes. City agrees such documents are not intended or represented to be suitable for reuse by City or others. Any reuse by City or by those who obtained said documents from City without written verification or adaptation by FNI will be at City's sole risk and without liability or legal exposure to FNI, or to FNI's independent associates or consultants, and to the extent permitted by law, City shall indemnify and hold harmless FNI and FNI's independent associates and consultants from all claims, damages, losses and expenses including attorneys' fees arising out of or resulting



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CITY______

therefrom. Any such verification or adaptation will entitle FNI to further reasonable compensation. FNI may reuse all drawings, report data and other project information in the execution of the Services provided under this AGREEMENT in FNI's other activities. Any reuse by FNI will be at FNI's sole risk and without liability or legal exposure to City, and FNI shall indemnify and hold harmless City from all claims, damages, losses and expenses including attorneys' fees arising out of or resulting therefrom.

9. **POLLUTANTS AND HAZARDOUS WASTES:** It is understood and agreed that FNI has neither created nor contributed to the creation or existence of any hazardous, radioactive, toxic, irritant, pollutant, or otherwise dangerous substance or condition at the site, if any, and its compensation hereunder is in no way commensurate with the potential risk of injury or loss that may be caused by exposures to such substances or conditions. The parties agree that in performing the Services required by this AGREEMENT, FNI does not take possession or control of the subject site, but acts as an invitee in performing the services, and is not therefore responsible for the existence of any pollutant present on or migrating from the site. Further, FNI shall have no responsibility for any pollutant during clean-up, transportation, storage or disposal activities.

10. **OPINION OF PROBABLE COSTS:** FNI will furnish an opinion of probable project development cost based on present day cost, but does not guarantee the accuracy of such estimates. Opinions of probable cost, financial evaluations, feasibility studies, economic analyses of alternate solutions and utilitarian considerations of operations and maintenance costs prepared by FNI hereunder will be made on the basis of FNI's experience and qualifications and represent FNI's judgment as an experienced and qualified design professional. It is recognized, however, that FNI does not have control over the cost of labor, material, equipment or services furnished by others or over market conditions or contractors' methods of determining their prices.

11. **CONSTRUCTION REPRESENTATION:** If required by the AGREEMENT, FNI will furnish Construction Representation according to the defined scope for these services. FNI will observe the progress and the quality of work to determine in general if the work is proceeding in accordance with the Contract Documents. In performing these services, FNI will endeavor to protect City against defects and deficiencies in the work of Contractors; FNI will report any observed deficiencies to City, however, it is understood that FNI does not guarantee the Contractor's performance, nor is FNI responsible for the supervision of the Contractor's operation and employees. FNI shall not be responsible for the means, methods, techniques, sequences or procedures of construction selected by the Contractor, or the safety precautions and programs incident to the work of the Contractor. FNI shall not be responsible for the acts or omissions of any person (except his own employees or agent) at the Project site or otherwise performing any of the work of the Project. If City designates a person to serve in the capacity of Resident Project Representative who is not a FNI's employee or FNI's agent, the duties, responsibilities and limitations of authority of such Resident Project Representative(s) will be set forth in writing and made a part of this AGREEMENT before the Construction Phase of the Project begins.

12. **PAYMENT:** Progress payments may be requested by FNI based on the amount of services completed. Payment for the services of FNI shall be due and payable upon submission of a statement for services to CITY.. Statements for services shall not be submitted more frequently than monthly. Any applicable new taxes imposed upon services, expenses, and charges by any governmental body after the execution of this AGREEMENT will be added to FNI's compensation.

    Time for payment and interest on overdue amounts shall be governed by Chapter 2251, Texas Government Code. FNI may, after giving seven (7) days' written notice to CITY, suspend services under this AGREEMENT until FNI has been paid in full, all amounts due for services, expenses and charges.

13. **ARBITRATION:** No arbitration arising out of, or relating to, this AGREEMENT involving one party to this AGREEMENT may include the other party to this AGREEMENT without their approval.

14. **SUCCESSORS AND ASSIGNMENTS:** CITY and FNI each are hereby bound and the partners, successors, executors, administrators and legal representatives of CITY and FNI are hereby bound to the other party to this AGREEMENT and to the partners, successors, executors, administrators and legal representatives (and said assigns) of such other party, in respect of all covenants, agreements and obligations of this AGREEMENT.

    Neither CITY nor FNI shall assign, sublet or transfer any rights under or interest in (including, but without limitation, moneys that may become due or moneys that are due) this AGREEMENT without the written consent of the other, except to the extent that any assignment, subletting or transfer is mandated by law or the effect of this limitation may be restricted by law. Unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under this AGREEMENT. Nothing contained in this paragraph shall prevent FNI from employing such independent associates and consultants as FNI may deem appropriate to assist in the performance of services hereunder.

15. **PURCHASE ORDERS:** If a Purchase Order is used to authorize FNI's Services, only the terms, conditions/instructions typed on the face of the Purchase Order shall apply to this AGREEMENT. Should there be any conflict between the Purchase Order and the terms of this AGREEMENT, then this AGREEMENT shall prevail and shall be determinative of the



FNI ____
CITY ____

conflict.

16. **INDEMNITY. FNI does hereby covenant and agree to release, indemnify and hold harmless CITY and its officials, officers, agents, representatives, employees, and invitees from and against any and all liability, claims, suits, demands and/or causes of action, (including, but not limited to, attorney's fees and cost of litigation), which may arise by reason of death or injury to property or persons but only to the extent occasioned by any error, omission or negligent act of FNI, its officials, officers, agents, employees, invitees or other persons for whom FNI is legally liable with regard to the performance of this Agreement, and FNI will, at its own cost and expense, defend and protect CITY against any and all such claims and demands.**

17. **INDEPENDENT CONTRACTOR.** FNI shall perform services hereunder as an independent contractor, and not as an officer, agent, servant or employee of the City and FNI shall have the exclusive right to control services performed hereunder by FNI, and all persons performing same, and shall be responsible for the negligent acts and omissions of its officers, agents, employees and sub-consultants. Nothing herein shall be construed as creating a partnership or joint venture between City and FNI, its officers, agents, employees and sub-consultants; and the doctrine of respondeat superior has no application as between City and FNI.

18. **CONFLICT OF INTEREST.** FHI warrants to City that it has made full disclosure in writing of any existing conflicts of interest or potential conflicts of interest, including personal financial interests, direct or indirect, in property abutting the Project and business relationships with abutting property owners. FNI further warrants that it will make disclosure in writing of any conflicts of interest which develop subsequent to the signing of this Agreement and prior to final payment under the Agreement.

19. **STANDARD OF CARE.** All services provided by FNI hereunder shall be performed in accordance with the degree of care and skill ordinarily exercised under similar circumstances by competent members of the engineering/design profession in the State of Texas applicable to such services on the type of Project contemplated by this Agreement, and FNI shall be responsible for all services provided hereunder whether such services are provided directly by FNI or by any consultants hired by FNI. FNI shall perform all duties and services and make all decisions called for hereunder promptly and without unreasonable delay and will give this Project such priority in its office as is necessary to cause FNI's services hereunder to be timely and properly performed.

20. **LEGAL CONSTRUCTION.** In case any one or more of the provisions contained in the Agreement shall be for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been included.

21. **GOVERNING LAW AND VENUE.** The validity of this Agreement and of any of its terms or provisions, as well as the rights and duties hereunder, shall be governed by and construed in accordance with Texas law. Venue shall lie in Tarrant County, Texas.



FNI ______
CITY ______

# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - F.

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**I. Subject:**
Consider approval of Resolution 525, authorizing the Mayor to sign the Advanced Funding Agreement (AFA) for the New Hope Road Bridge Replacement Project with TXDOT

**II. Originated by:**

Larry Hoover, Streets and Parks Supervisor

**III. Summary:**

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**NEW INFORMATION:**
Consent Items D, E, and F are all related to one another, and each first appeared on the Monday, May 21, 2018 Consent Agenda, but were postponed at the request of the Council. During tonight's Work Session (Item B), Alex Garcia, PE, PTOE, of Freese and Nichols will present an overview of this project, including progress to date and the current
considerations.

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**FROM THE MAY 21, 2018 STAFF REPORT:**
In April 2018, the City Council approved resolution 522 that provided the Texas Department of Transportation (TxDOT) with a recommendation for two projects to apply our 10% match for the New Hope Road Bridge Replacement project.

The Averitt Road and Valley Lane improvements were approved by TxDOT as fundable projects and the related Advance Funding Agreement is attached. The projects are to be funded completely by Kennedale with $88,442.26 of project estimates totalling $214,946.00, meeting our 10% match on the New Hope Road Bridge Project.

TxDOT bid letting of the New Hope Road bridge replacement project is scheduled to be in August of 2020, assuming the two local projects are completed during that time.

The attached Resolution 525 authorizes the Mayor to sign the attached Local Project Advanced Funding Agreement (LPAFA).

**IV. Fiscal Impact Summary:**
Funding for this project will need to be appropriated in FY19, through the operating budget as either an operating expense or through the issuance of debt.

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | R525 + Related TxDOT AFA Agreement | R525 AdvanceFundingAgreementNewHopeRoadBridgeProjectTxDOT_UPDATED.pdf |

## RESOLUTION NO. 525

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS, AUTHORIZING THE MAYOR TO ENTER INTO A LOCAL PROJECT ADVANCE FUNDING AGREEMENT (LPAFA) WITH THE TEXAS DEPARTMENT OF TRANSPORTATION (TXDOT) FOR BRIDGE REPLACEMENT ON KENNEDALE/NEW HOPE ROAD; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS,** the City of Kennedale, Texas, (the "City") is a home rule city acting under its charter adopted by the electorate pursuant to Article XI, Section 5 of the Texas Constitution and Chapter 9 of the Local Government Code; and

**WHEREAS**, it is the intent of the City Council to protect the public health, safety and welfare; and

**WHEREAS**, the City prepared and submitted to the State an application for consideration under the Local Project Advance Funding Agreement (LPAFA) for the project which is briefly described as bridge replacement on Kennedale/New Hope Road at Village Creek Tributary (the "Project"); and

**WHEREAS**, the LPAFA is attached hereto as Exhibit "A".

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

**SECTION 1. ORDER.** The City Council hereby approves the Local Project Advance Funding Agreement (LPAFA) between the City of Kennedale and the State of Texas (through TxDOT) attached hereto as Exhibit "A" to provide for the development and construction of the Project, and hereby authorizes the Mayor of the City of execute the Local Project Advance Funding Agreement.

**SECTION 2. NOTICE.** Upon adoption of this Resolution, the City Secretary is directed to give notice of this resolution as may be required by law.

**SECTION 3. AUTHORIZATION OF NECESSARY ACTIONS.** The Mayor, City Administrator, and the City Secretary, in consultation with the City Attorney, are authorized and directed to take all actions necessary to effectuate this Resolution.

**SECTION 4. EFFECTIVE DATE.** This Resolution shall be effective upon its adoption.

**DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE ON THE 18th DAY OF JUNE, 2018.**

**APPROVED:**

**MAYOR, BRIAN JOHNSON**

[CITY SEAL

**ATTEST:**

**CITY SECRETARY, LESLIE GALLOWAY**

**APPROVED AS TO FORM AND LEGALITY:**

**CITY ATTORNEY, WAYNE OLSON**

**CITY OF KENNEDALE, TX**
**RESOLUTION NO. 525**

## Exhibit “A”

CSJ #0902-90-057
District #02-Fort Worth
Code Chart 64 #22000
Project: Kennedale/New Hope Road @ Trib. of Village Creek
NBI Structure #02-220-HH02-43-002
Federal Highway Administration
CFDA Title: Highway Planning & Construction
CFDA No.: 20.205
Not Research and Development

**STATE OF TEXAS §**

**COUNTY OF TRAVIS §**

# LOCAL TRANSPORTATION PROJECT ADVANCE FUNDING AGREEMENT For Bridge Replacement or Rehabilitation Off the State System

**THIS Local Project Advance Funding Agreement (the LPAFA)** is made by and between the State of Texas, acting by and through the Texas Department of Transportation, called the "State," and the City of Kennedale, acting by and through its duly authorized officials, called the "Local Government."

## WITNESSETH

**WHEREAS**, a Master Agreement between the Local Government and the State has been adopted and states the general terms and conditions for transportation projects developed through this LPAFA; and,

**WHEREAS**, Title 23 United States Code Section 144 authorizes federal funds to assist the states in the replacement or rehabilitation of deficient bridges located on public highways, roads, and streets, including those under the jurisdiction of local governments; and

**WHEREAS**, the Local Government owns one or more bridges on a public road or street located at Kennedale/New Hope Road @ Tributary of Village Creek, and these bridges are included in the currently approved off-state system federal-aid Highway Bridge Replacement and Rehabilitation Program (HBRRP) as authorized by Texas Transportation Commission Minute Order Number 115005, dated August 31, 2017; and

**WHEREAS**, the Governing Body of the Local Government has approved entering into this LPAFA by resolution or ordinance, which is attached to and made a part of this agreement as Attachment A for the development of the specific programmed replacement or rehabilitation project, called the "Project". The Project is identified in the location map shown as Attachment B, which is attached to and made a part of this agreement.

**NOW, THEREFORE**, in consideration of the premises and of the mutual covenants and agreements of the parties, to be by them respectively kept and performed as set forth, it is agreed as follows:

CSJ #0902-90-057
District #02-Fort Worth
Code Chart 64 #22000
Project: Kennedale/New Hope Road @ Trib. of Village Creek
NBI Structure #02-220-HH02-43-002
Federal Highway Administration
CFDA Title: Highway Planning & Construction
CFDA No.: 20.205
Not Research and Development

# AGREEMENT

**1. Period of this Agreement**
The period of this LPAFA is as stated in the Master Agreement, without exception.

**2. Termination of this Agreement**
Termination of this LPAFA shall be under the conditions as stated in the Master Agreement. The LPAFA may be terminated by the State if the project is inactive for thirty-six (36) months or longer and no expenditures have been charged against federal funds.

**3. Amendments**
Amendments to this LPAFA shall be made as described in the Master Agreement, without exception.

**4. Remedies**
Remedies for defaults under this LPAFA shall be made as described in the Master Agreement, without exception.

**5. Scope of Work**
The scope of work for this LPAFA is the replacement or rehabilitation of the bridges identified in the recitals of this LPAFA. This replacement or rehabilitation shall be accomplished in the manner described in the plans, specifications, and estimates developed in accordance with this LPAFA and which are incorporated in this agreement by reference.

**6. Right of Way and Real Property**

**A.** The Local Government is responsible for the provision and acquisition of all necessary right of way and will not be reimbursed with federal or state funds for the required right of way.

**B.** The Local Government authorizes the State, its consultant, contractor, or other designated representative to enter the sites of these bridges and adjacent right of way or relocation right of way to perform surveys, inspections, construction, and other activities necessary to replace or rehabilitate these bridges and approaches.

**7. Adjustment of Utilities**
The Local Government shall be responsible for the adjustment, removal, or relocation of utility facilities in accordance with applicable state laws, regulations, rules, policies, and procedures, including any cost to the State of a delay resulting from the Local Government's failure to ensure that utility facilities are adjusted, removed, or relocated

before the scheduled beginning of construction. The Local Government will not be reimbursed with federal or state funds for the cost of required utility work. The Local Government must obtain advance approval for any variance from established procedures. Before a construction contract is let, the Local Government shall provide, at the State's request, a certification stating that the Local Government has completed the adjustment of all utilities that must be adjusted before construction is completed.

8. **Environmental Assessment and Mitigation**
Development of the Project must comply with the National Environmental Policy Act and the National Historic Preservation Act of 1966, which require environmental clearance of federal-aid projects.
   **A.** The State is responsible for the identification and assessment of any environmental problems associated with the development of the Project governed by this LPAFA.
   **B.** Cost participation in environmental assessment and remediation work shall be paid by the parties in the same ratio as construction costs and will be included in the construction costs identified in Attachment D, Estimate of Direct Costs.
   **C.** The State is responsible for providing any public meetings or public hearings required for development of the environmental assessment. The Local Government does not need to provide certifications to the State concerning this matter.
   **D.** The State will not begin construction of the Project until identified environmental problems have been remediated, unless provided for otherwise.

9. **Compliance with Texas Accessibility Standards and ADA**
Compliance with Texas Accessibility Standards and ADA will be as stated in the Master Agreement, without exception.

10. **Architectural and Engineering Services**
The State is responsible for performance of any required architectural or preliminary engineering work. The Local Government may review and comment on the work as required to accomplish the public purposes of the Local Government. The State will cooperate fully with the Local Government in accomplishing these local public purposes to the degree permitted by state and federal law. The Local Government review shall not unduly delay the development of the Project.

11. **Construction Responsibilities**
Construction responsibilities will be carried out by the State, as stated in the Master Agreement, without exception.

12. **Project Maintenance**
Project maintenance will be undertaken as provided for in the Master Agreement, without exception.

**13. Local Project Sources and Uses of Funds**

**A.** A Project Cost Estimate is provided in Attachment D, Estimate of Direct Costs.

**B.** A source of funds estimate is also provided in Attachment D. Attachment D shows the estimated direct preliminary engineering, construction engineering, and construction costs for the Project in total and by the Local Government.

**C.** The Local Government participation is based upon the State's estimate of the eligible work at the time this LPAFA is executed and will not be adjusted during construction except as needed to include any Project cost item or portion of a cost item ineligible for state or federal participation. In addition to its share of estimated direct engineering and construction costs, the Local Government is responsible for the direct cost of any project cost item or portion of a cost item that is not eligible for federal participation under the federal HBRRP. The Local Government is also responsible for any cost resulting from changes made at the request of the Local Government. The State and the Federal Government will not reimburse the Local Government for any work performed before federal spending authority is formally obligated to the Project by the Federal Highway Administration. After federal funds have been obligated, the State will send to the Local Government a copy of the formal documentation showing the obligation of funds including federal award information.

**D.** If the Local Government will perform any work under this contract for which reimbursement will be provided by or through the State, the Local Government must complete training before federal spending authority is obligated. Training is complete when at least one individual who is working actively and directly on the Project successfully completes and receives a certificate for the course entitled *Local Government Project Procedures Qualification for the Texas Department of Transportation*. The Local Government shall provide the certificate of qualification to the State. The individual who receives the training certificate may be an employee of the Local Government or an employee of a firm that has been contracted by the Local Government to perform oversight of the Project. The State in its discretion may deny reimbursement if the Local Government has not designated a qualified individual to oversee the Project.

**E.** After execution of this LPAFA, but thirty (30) days prior to the performance of any work by the State, the Local Government shall remit to the State the amount specified in Attachment D as the local contribution for preliminary engineering. The Local Government will pay, at a minimum, its funding share for this estimated cost of preliminary engineering.

**F.** Forty-five (45) days prior to the date set for receipt of the construction bids, the Local Government shall remit its remaining financial share for the State's estimated construction oversight and construction costs and any other costs owed.

**G.** If, at the completion or termination of the Project, the State determines that additional funding is required by the Local Government, the State shall notify the Local Government in writing. The Local Government shall make payment to the State within thirty (30) days from receipt of the State's written notification.

**H.** Whenever funds are paid by the Local Government to the State under this LPAFA, the Local Government shall remit a check or warrant made payable to the "Texas Department of Transportation". The check or warrant shall be deposited by the State and managed by the State. The funds may only be applied to the State Project.

**I.** Upon completion of the Project, the State will perform an audit of the Project costs. Any funds due to the Local Government, the State, or the Federal Government will be promptly paid by the owing party.

**J.** The State will not pay interest on any funds provided by the Local Government.

**K.** The Local Government funding participation responsibilities include Project direct costs only, except when the Project is terminated before completion at the request of the Local Government as addressed in the Termination provision of this LPAFA.

**L.** The amounts shown on Attachment D are estimates only. If actual costs exceed the estimates, this shall be considered a fixed price agreement, and no additional funding shall be required of the Local Government except to the extent that the additional costs result from changes made at the request of the Local Government or to the extent that the additional costs are not eligible for federal participation under the federal HBRRP. If actual costs are less than the estimates, Local Government participation shall be recalculated based on actual costs. If the recalculation results in a reduction in participation by the Local Government, the State shall pay the difference to the Local Government upon completion of the Project.

**M.** Under the provisions of Texas Transportation Code Section 222.053 certain counties qualify as Economically Disadvantaged Counties (EDC) in comparison to other counties in the state as below average per capita property value, below average per capita income, and above average unemployment, for certain years. If applicable, in consideration of such EDC status that may be applicable for the Project, the required local match fund participation has been adjusted to ten percent (10%).

**N.** The State will not execute the contract for the construction of a Project until the required funding has been made available by the Local Government in accordance with this LPAFA.

**O.** The state auditor may conduct an audit or investigation of any entity receiving funds from the State directly under this contract or indirectly through a subcontract under this contract. Acceptance of funds directly under this contract or indirectly through a subcontract under this contract acts as acceptance of the authority of the state auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. An entity that is the subject of an audit or investigation must provide the state auditor with access to any information the state auditor considers relevant to the investigation or audit.

**P.** The Local Government is authorized to submit requests for reimbursement by submitting the original of an itemized invoice in a form and containing all items required by the State no more frequently than monthly, and no later than ninety (90) days after costs are incurred. If the Local Government submits invoices more than ninety (90) days after the costs are incurred, and if federal funding is reduced as a result, the State shall have no responsibility to reimburse the Local Government for those costs.

**14. Performance by Local Government of Equivalent-Match Projects (EMP) in Return for Waiver of Local Match Participation Funding on Participation-Waived Projects (PWP)**

**A.** Applicability. If a request for waiver has been received and approved by the State's District Engineer, then the required ten percent matching fund participation or percent as adjusted for EDC consideration, as shown in Attachment D, Estimate of Direct Costs, but excluding ineligible costs under the bridge program, is waived. This waiver is based on the commitment of the Local Government to spend an equivalent amount of funds for structural or safety improvement on "other" bridge structures and other conditions as specified in 43 TAC Section 15.55(d). If a waiver has been granted, the Project shall be defined to be a PWP and the work on the "other" bridge structures that will be improved by the Local Government shall be defined to be the EMPs. Attachment C to this LPAFA shows a list of EMPs under this LPAFA.

**B.** Project Cost Estimate for PWP. Attachment D to this LPAFA shows the estimated direct preliminary engineering, construction engineering, and construction costs for the PWP in total and local match fund participation being waived or partially waived.

**C.** Credit against EMP Work. Any local match fund participation that has already been paid, or which the Local Government is agreeable to paying to the State, will be credited against EMP work to be performed by the Local Government. If applicable, this credit will be reflected in Attachment D to this LPAFA.

**D.** Responsibilities of the Local Government on EMPs

1. The Local Government shall be responsible for all engineering and construction, related costs, and compliance with all applicable state and federal environmental regulations and permitting requirements.
2. The structural or safety improvement work on the EMPs shall be performed subsequent to the final execution of this LPAFA but within three (3) calendar years after the earliest contract award of the related PWP.
3. Written documentation, suitable for audit, of the structural or safety improvement work completed on the EMPs shall be kept on file by the Local Government for

four (4) years after completion of work or claims, lawsuits, or audits related to those items, whichever is longer. A notice of completion of work on the EMPs shall be delivered to the State's District Engineer no later than thirty (30) calendar days after work is completed on the EMPs. At the request of the State, the Local Government shall submit any information required by the State in the format directed by the State.

4. Failure by the Local Government to adequately complete the EMPs within the stated three-year period shall result in the Local Government being excluded from receiving such waivers for a minimum of five (5) years.

**E.** Funding of Ineligible or Additional Work Not Waived. Regardless of any waiver of eligible program costs, the Local Government shall pay the State one-hundred percent (100%) of the cost of any PWP item or portion of a cost item that is not eligible for federal or state participation, and one-hundred percent (100%) of the costs resulting from additional work on the PWP performed solely at the request of the Local Government. If the ineligible or additional work is preliminary engineering, the payment shall be made at least thirty (30) days prior to the beginning of preliminary engineering work on the PWP. If the ineligible or additional work is for construction or construction engineering, the payment shall be made at least forty-five (45) days prior to the date set for receipt of bids for construction of the PWP.

## 15. Notices

All notices to either party shall be delivered personally or sent by certified or U.S. mail, postage prepaid, addressed to that party at the following address:

| | |
|---|---|
| State: | Director, Bridge Division<br>Texas Department of Transportation<br>125 E. 11th Street<br>Austin, Texas 78701 |
| Local Government: | Public Works Director<br>City of Kennedale<br>405 Municipal Drive<br>Kennedale, Texas 76060 |

All notices shall be deemed given on the date delivered in person or deposited in the mail, unless otherwise provided by this agreement. Either party may change the above address by sending written notice of the change to the other party. Either party may request in writing that notices shall be delivered personally or by certified U.S. mail, and that request shall be carried out by the other party.

**16. Office of Management and Budget (OMB) Cost Principles**
In order to be reimbursed with federal funds, the parties shall comply with the Cost Principles established in 2CFR 200 that specify that all reimbursed costs are allowable, reasonable, and allocable to the Project.

**17. Lobbying Certification**
The parties to this LPAFA reaffirm that no federal funds were used to lobby for Project funds, but that if any lobbying occurred, it has been reported to the State, pursuant to the requirements of the Master Agreement.

**18. Incorporation Master Agreement Provisions**
This LPAFA incorporates all of the governing provisions of the Master Agreement in effect on the date of final execution of this LPAFA, unless an exception has been made in this agreement.

**19. Local Government Restrictions**
In the case that the local government has an existing, future, or proposed local ordinance, commissioners court order, rule, policy, or other directive that is more restrictive than the state or federal regulations that results in an increase cost to the State for the project, the local government is responsible for all increased costs associated with the ordinance, order, policy, directive, or change.

**20. Civil Rights Compliance**

**A.** Compliance with Regulations: The Local Government will comply with the Acts and the Regulations relative to Nondiscrimination in Federally-assisted programs of the U.S. Department of Transportation (USDOT), the Federal Highway Administration (FHWA), as they may be amended from time to time, which are herein incorporated by reference and made part of this agreement.

**B.** Nondiscrimination: The Local Government, with regard to the work performed by it during the contract, will not discriminate on the grounds of race, color, or national origin in the selection and retention of subcontractors, including procurement of materials and leases of equipment. The Local Government will not participate directly or indirectly in the discrimination prohibited by the Acts and the Regulations, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR Part 21.

**C.** Solicitations for Subcontracts, Including Procurement of Materials and Equipment: In all solicitations either by competitive bidding or negotiation made by the Local Government for work to be performed under a subcontract, including procurement of materials or leases of equipment, each potential subcontractor or supplier will be notified by the Local Government of the Local Government's obligations under this contract and the Acts and Regulations relative to Nondiscrimination on the grounds of race, color, or national origin.

**D.** Information and Reports: The Local Government will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto, and will permit access to its books, records, accounts, other sources of information, and facilities as may be determined by the State or the FHWA to be pertinent to ascertain compliance with such Acts, Regulations or directives. Where any information required of the Local Government is in the exclusive possession of another who fails or refuses to furnish this information, the Local Government will so certify to the State or the Federal Highway Administration, as appropriate, and will set forth what efforts it has made to obtain the information.

**E.** Sanctions for Noncompliance: In the event of the Local Government's noncompliance with the Nondiscrimination provisions of this contract, the State will impose such contract sanctions as it or the FHWA may determine to be appropriate, including, but not limited to:
1. withholding of payments to the Local Government under the contract until the Local Government complies and/or
2. cancelling, terminating, or suspending of the contract, in whole or in part.

**F.** Incorporation of Provisions: The Local Government will include the provisions of paragraphs (A) through (F) in every subcontract, including procurement of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. The Local Government will take such action with respect to any subcontract or procurement as the State or the FHWA may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if the Local Government becomes involved in, or is threatened with, litigation with a subcontractor or supplier because of such direction, the Local Government may request the State to enter into such litigation to protect the interests of the State. In addition, the Local Government may request the United States to enter into such litigation to protect the interests of the United States.

**21. Disadvantaged Business Enterprise (DBE) Program Requirements**

**A.** The parties shall comply with the Disadvantaged Business Enterprise Program requirements established in 49 CFR Part 26.

**B.** The Local Government shall adopt, in its totality, the State's federally approved DBE program.

**C.** The Local Government shall set an appropriate DBE goal consistent with the State's DBE guidelines and in consideration of the local market, project size, and nature of the goods or services to be acquired. The Local Government shall have final decision-making authority regarding the DBE goal and shall be responsible for documenting its actions.

**D.** The Local Government shall follow all other parts of the State's DBE program referenced in TxDOT Form 2395, Memorandum of Understanding Regarding the Adoption of the Texas Department of Transportation's Federally-Approved Disadvantaged Business Enterprise by Entity and attachments found at web address http://ftp.dot.state.tx.us/pub/txdot-info/bop/dbe/mou/mou_attachments.pdf.

**E.** The Local Government shall not discriminate on the basis of race, color, national origin, or sex in the award and performance of any U.S. Department of Transportation (DOT)-assisted contract or in the administration of its DBE program or the requirements of 49 CFR Part 26. The Local Government shall take all necessary and reasonable steps under 49 CFR Part 26 to ensure non-discrimination in award and administration of DOT-assisted contracts. The State's DBE program, as required by 49 CFR Part 26 and as approved by DOT, is incorporated by reference in this agreement. Implementation of this program is a legal obligation and failure to carry out its terms shall be treated as a violation of this agreement. Upon notification to the Local Government of its failure to carry out its approved program, the State may impose sanctions as provided for under 49 CFR Part 26 and may, in appropriate cases, refer the matter for enforcement under 18 U.S.C. 1001 and the Program Fraud Civil Remedies Act of 1986 (31 U.S.C. 3801 et seq.).

**F.** Each contract the Local Government signs with a contractor (and each subcontract the prime contractor signs with a sub-contractor) must include the following assurance: *The contractor, sub-recipient, or sub-contractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. The contractor shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of DOT-assisted contracts. Failure by the contractor to carry out these requirements is a material breach of this agreement, which may result in the termination of this agreement or such other remedy as the recipient deems appropriate.*

## 22. Debarment Certification

The parties are prohibited from making any award at any tier to any party that is debarred or suspended or otherwise excluded from or ineligible for participation in Federal Assistance Programs under Executive Order 12549, "Debarment and Suspension." By executing this agreement, the Local Government certifies that it is not currently debarred, suspended, or otherwise excluded from or ineligible for participation in Federal Assistance Programs under Executive Order 12549 and further certifies that it will not do business with any party that is currently debarred, suspended, or otherwise excluded from or ineligible for participation in Federal Assistance Programs under Executive Order 12549. The parties to this contract shall require any party to a subcontract or purchase order awarded under this contract to certify its eligibility to receive Federal funds and, when requested by the State, to furnish a copy of the certification.

**23. Federal Funding Accountability and Transparency Act Requirements**

**A.** Any recipient of funds under this agreement agrees to comply with the Federal Funding Accountability and Transparency Act (FFATA) and implementing regulations at 2 CFR Part 170, including Appendix A. This agreement is subject to the following award terms: http://www.gpo.gov/fdsys/pkg/FR-2010-09-14/pdf/2010-22705.pdf and http://www.gpo.gov/fdsys/pkg/FR-2010-09-14/pdf/2010-22706.pdf

**B.** The Local Government agrees that it shall:

1. Obtain and provide to the State, a Central Contracting Registry (CCR) number (Federal Acquisition Regulation, Part 4, Sub-part 4.1100) if this award provides for more than $25,000 in Federal funding. The CCR number may be obtained by visiting the CCR web-site whose address is: https://www.sam.gov/portal/public/SAM/
2. Obtain and provide to the State a Data Universal Numbering System (DUNS) number, a unique nine-character number that allows the federal government to track the distribution of federal money. The DUNS number may be requested free of charge for all businesses and entities required to do so by visiting the Dun & Bradstreet (D&B) on-line registration website http://fedgov.dnb.com/webform; and
3. Report the total compensation and names of its top five (5) executives to the State if:
   - i. More than 80% of annual gross revenues are from the Federal government, and those revenues are greater than $25,000,000; and
   - ii. The compensation information is not already available through reporting to the U.S. Securities and Exchange Commission.

**24. Single Audit Report**

**A.** The parties shall comply with the requirements of the Single Audit Act of 1984, P.L. 98-502, ensuring that the single audit report includes the coverage stipulated in 2 CFR 200.

**B.** If threshold expenditures of $750,000 or more are met during the Local Government's fiscal year, the Local Government must submit a Single Audit Report and Management Letter (if applicable) to TxDOT's Compliance Division, 125 East 11th Street, Austin, TX 78701 or contact TxDOT's Compliance Division at singleaudits@txdot.gov.

**C.** If expenditures are less than $750,000 during the Local Government's fiscal year, the Local Government must submit a statement to TxDOT's Compliance Division as follows: "We did not meet the $750,000 expenditure threshold and therefore, are not required to have a single audit performed for FY ______."

**D.** For each year the project remains open for federal funding expenditures, the Local Government will be responsible for filing a report or statement as described above. The required annual filing shall extend throughout the life of the agreement, unless otherwise amended or the project has been formally closed out and no charges have been incurred within the current fiscal year.

**25. Pertinent Non-Discrimination Authorities**

During the performance of this contract, the Local Government, for itself, its assignees, and successors in interest agree to comply with the following nondiscrimination statutes and authorities; including but not limited to:

**A.** Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq., 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin); and 49 CFR Part 21.

**B.** The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects).

**C.** Federal-Aid Highway Act of 1973, (23 U.S.C. § 324 et seq.), as amended, (prohibits discrimination on the basis of sex).

**D.** Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 et seq.) as amended, (prohibits discrimination on the basis of disability); and 49 CFR Part 27.

**E.** The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 et seq.), (prohibits discrimination on the basis of age).

**F.** Airport and Airway Improvement Act of 1982, (49 U.S.C. Chapter 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex).

**G.** The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs or activities” to include all of the programs or activities of the Federal-aid recipients, subrecipients and contractors, whether such programs or activities are Federally funded or not).

**H.** Titles II and III of the Americans with Disabilities Act, which prohibits discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131-12189) as implemented by Department of Transportation regulations at 49 C.F.R. parts 37 and 38.

- **I.** The Federal Aviation Administration's Nondiscrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex).
- **J.** Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures nondiscrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations.
- **K.** Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, the parties must take reasonable steps to ensure that LEP persons have meaningful access to the programs (70 Fed. Reg. at 74087 to 74100).
- **L.** Title IX of the Education Amendments of 1972, as amended, which prohibits the parties from discriminating because of sex in education programs or activities (20 U.S.C. 1681 et seq.).

**26. Signatory Warranty**

Each signatory warrants that the signatory has necessary authority to execute this agreement on behalf of the entity represented.

CSJ #0902-90-057
District #02-Fort Worth
Code Chart 64 #22000
Project: Kennedale/New Hope Road @ Trib. of Village Creek
NBI Structure #02-220-HH02-43-002
Federal Highway Administration
CFDA Title: Highway Planning & Construction
CFDA No.: 20.205
Not Research and Development

**THIS AGREEMENT IS EXECUTED** by the State and the Local Government in duplicate.

**THE LOCAL GOVERNMENT**

______________________________
Signature

______________________________
Typed or Printed Name

______________________________
Title

______________________________
Date

**THE STATE OF TEXAS**

______________________________
Gregg A. Freeby, P.E.
Director, Bridge Division
Texas Department of Transportation

______________________________
Date

CSJ #0902-90-057
District #02-Fort Worth
Code Chart 64 #22000
Project: Kennedale/New Hope Road @ Trib.
of Village Creek
NBI Structure #02-220-HH02-43-002
Federal Highway Administration
CFDA Title: Highway Planning & Construction
CFDA No.: 20.205
Not Research and Development

# ATTACHMENT A
## RESOLUTION OR ORDINANCE OF LOCAL GOVERNMENT

**RESOLUTION NO. 522**

**A RESOLUTION OF THE CITY OF KENNEDALE, TEXAS, AGREEING TO PERFORM EQUIVALENT-MATCH PROJECT(S) IN RETURN FOR WAIVER OF THE LOCAL MATCH FUND PARTICIPATION REQUIREMENT FOR AN APPROVED FEDERAL OFF-SYSTEM BRIDGE PROGRAM ON KENNEDALE NEW HOPE ROAD**

**WHEREAS,** the federal off-system bridge program is administered by the Texas Department of Transportation (the State) to replace or rehabilitate structurally deficient and functionally obsolete (collectively referred to as deficient) bridges located on public roads and streets off the designated state highway system; and

**WHEREAS,** City of Kennedale, hereinafter referred to as the Local Government owns a bridge located at Kennedale/New Hope Road @ Trib. of Village Creek, National Bridge Inventory (NBI) Structure Number 02-220-HH02-43-002; and

**WHEREAS,** a project to remedy the bridge is included in the currently approved program of projects as authorized by Texas Transportation Commission Minute Order Number 115005 dated August 31,2017, Control-Section-Job (CSJ) Number 0902-90-057; and

**WHEREAS,** the usual fund participation ratio for projects on such program is 80 percent federal, 10 percent state and 10 percent Local Government; and

**WHEREAS,** Texas Administrative Code, Title 43, Section 15.55(d) (43 TAC Section 15.55(d)) provides that under specified conditions the 10 percent Local Government match fund participation requirement may be waived with agreement by the Local Government to perform, or cause to be performed, an equivalent dollar amount of structural improvement work on other deficient bridges or deficient mainlane cross-drainage structures within its jurisdiction, such a project of structural improvement work being referred to as an "equivalent-match project"; and

**WHEREAS,** the estimated local match fund participation requirement on the approved federal off-system bridge project is $88,442.26 (dollars), hereinafter referred to as the "participation waived" project, such participation requirement the Local Government proposes be waived and in return perform or cause to be performed equivalent-match project structural improvement work.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

That the Local Government will perform, or cause to be performed, the following equivalent-match project(s) in return for waiver of the local match fund participation requirement on the approved federal off-system bridge program (participation waived) project not yet awarded:

# ATTACHMENT A (CONTINUED)

| Location (and structure identification number) | On School Bus Route? | Historic Bridge? | Description of Structural or Safety Improvement Work | Estimated Cost |
|---|---|---|---|---|
| 02-220-HH01-00-001 (Valley Lane @ Trib. to Village Creek) - 0.4 miles South of BU 287 | Yes | No | Install Traffic Rail, Approach Rail, Guard Rail End Treatments, and Concrete Structural Repair (Vertical or Overhead) | $82,200.00 |
| 02-220-HHOO-15-001 (Averett Road @ Branch of Village Creek) 0.3 miles east JCT Dick Price | Yes | No | Channel Improvements - Rip Rap Stone Protection | $83,046.00 |
| **TOTAL** | | | | **$165,246.00** |
| **EMP work credited to this PWP*** | | | | **$88,442.26** |
| **Balance of EMP work available to associated PWPs** | | | | **N/A** |

**BE IT FURTHER RESOLVED** that in receiving this waiver the Local Government acknowledges its obligation to conform with all conditions of 43 TAC Section 15.55(d); such conditions that include but are not restricted to the following:

1. The Local Government must be currently in compliance with load posting and closure regulations as defined in National Bridge Inspection Standards under US Code of Federal Regulations, Title 23, Section 650.303.
2. The equivalent-match project work increases the load capacity of the existing bridge or other mainlane cross-drainage structure, or upgrades the structure to its original load capacity with a minimum upgrade to safely carry school bus loading if located on a school bus route.
3. In performing, or causing to be performed, the equivalent-match project(s), the Local Government assumes all responsibilities for engineering and construction, and complying with all applicable state and federal environmental regulations and permitting requirements for the structures being improved.
4. The work on the proposed equivalent-match project(s) has not begun and will not begin until the local match fund participation waiver approval process has been completed.
5. The Local Government will be allowed three years after the contract award of the participation-waived project to complete the structural improvement work on the equivalent match project(s).
6. Should this waiver request be approved, an appropriate written agreement or amendment to a previously executed agreement will be executed between the State and Local Government.

**DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE ON THE 16TH DAY OF APRIL, 2018.**

MAYOR, BRIAN JOHNSON

**ATTEST:**

Leslie Galloway
CITY SECRETARY, LESLIE GALLOWAY

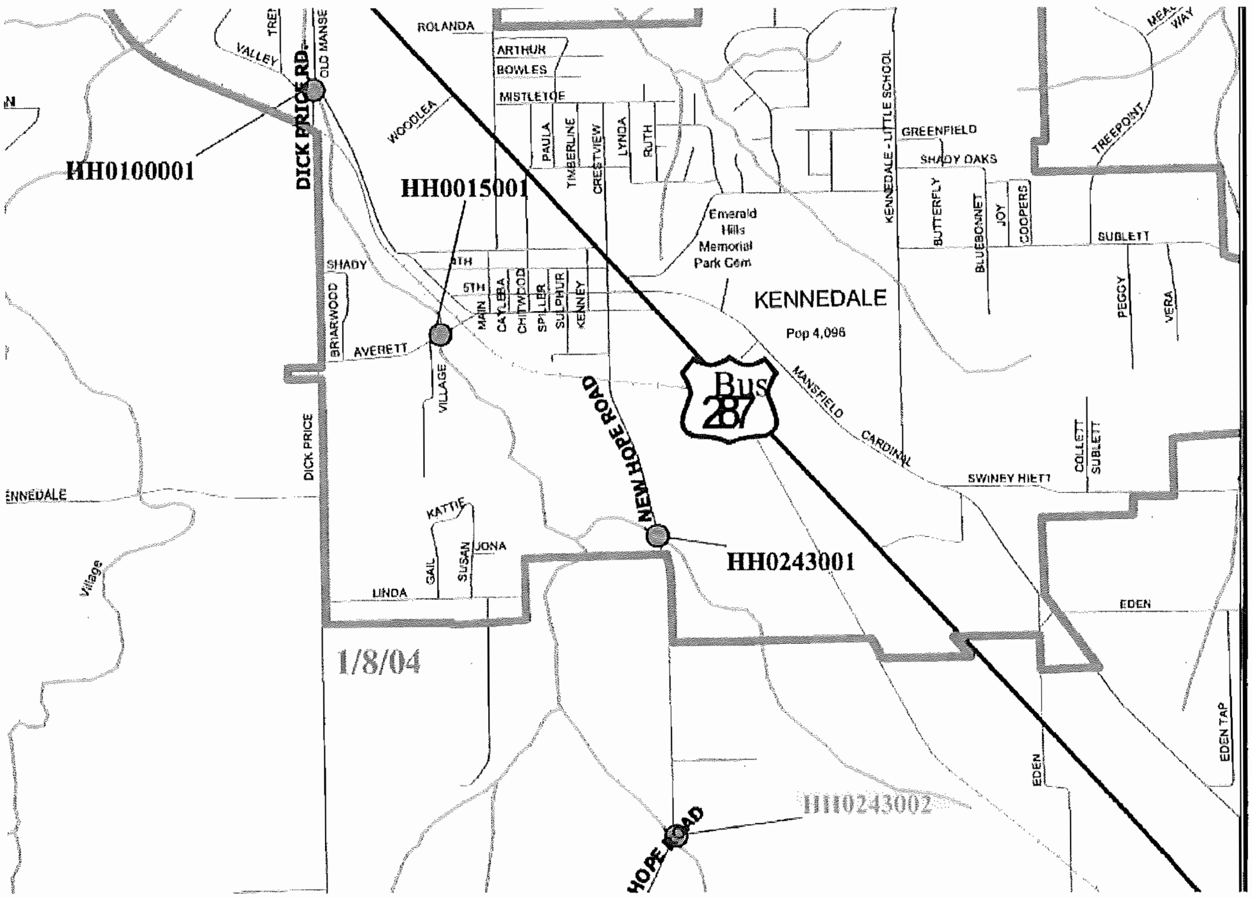
CITY OF KENNEDALE SEAL TARRANT COUNTY, TEXAS

Page 2 of 2

CSJ #0902-90-057
District #02-Fort Worth
Code Chart 64 #22000
Project: Kennedale/New Hope Road @ Trib.
of Village Creek
NBI Structure #02-220-HH02-43-002
Federal Highway Administration
CFDA Title: Highway Planning & Construction
CFDA No.: 20.205
Not Research and Development

# ATTACHMENT B
## PROJECT LOCATION MAP

Bridge: 02220HH0243002



# ATTACHMENT B (CONTINUED)

DATE: 21 FEB 2016

COUNTY: 220

CONT-SEC: HH02-43

STR: 002

ROADWAY OVER BRIDGE

Looking South

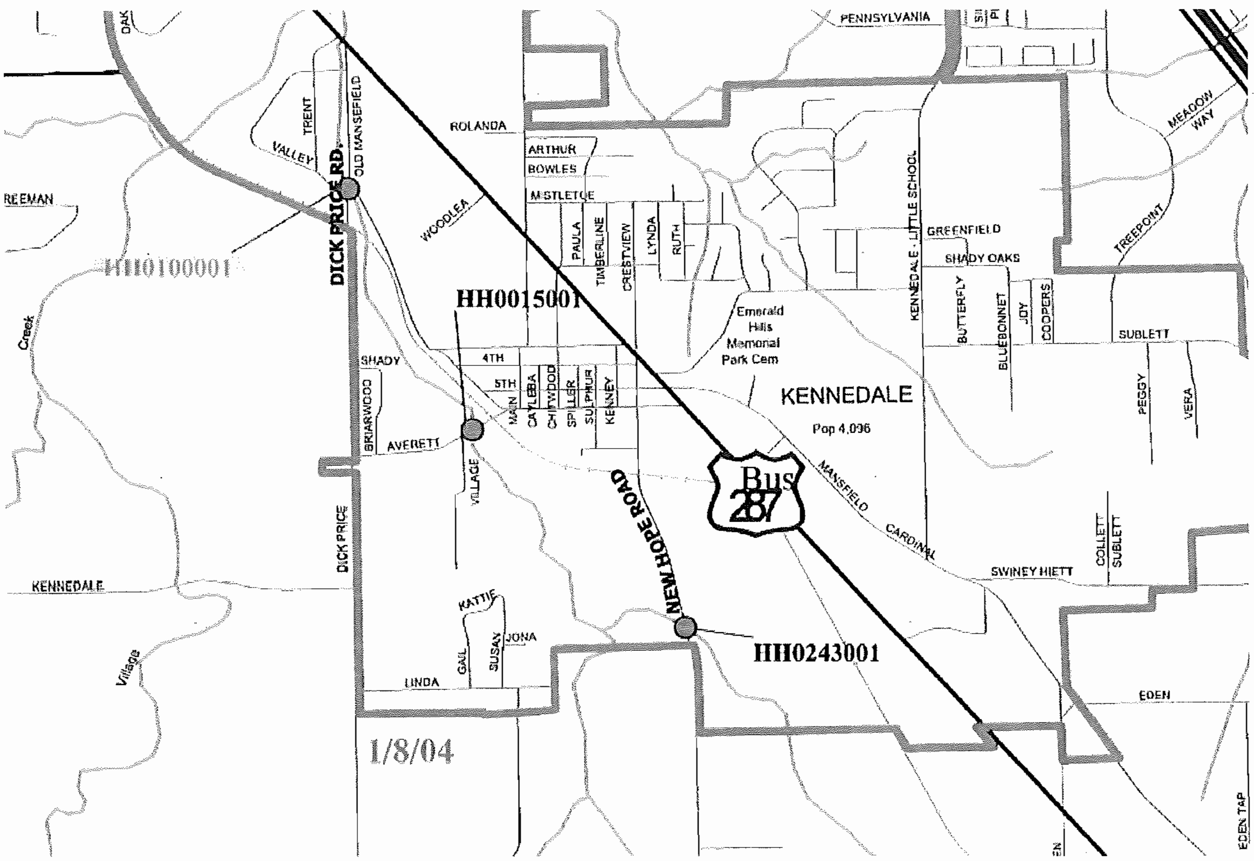
ELEVATION

Looking Southwest

HDR Engineering, Inc (F-754)

# ATTACHMENT B (CONTINUED)

EMP #1: 02-220-HH01-00-001



# ATTACHMENT B (CONTINUED)

DATE: 21 FEB 2016

COUNTY: 220

CONT-SEC: HH01-00

STR: 001

ROADWAY OVER BRIDGE

Looking North

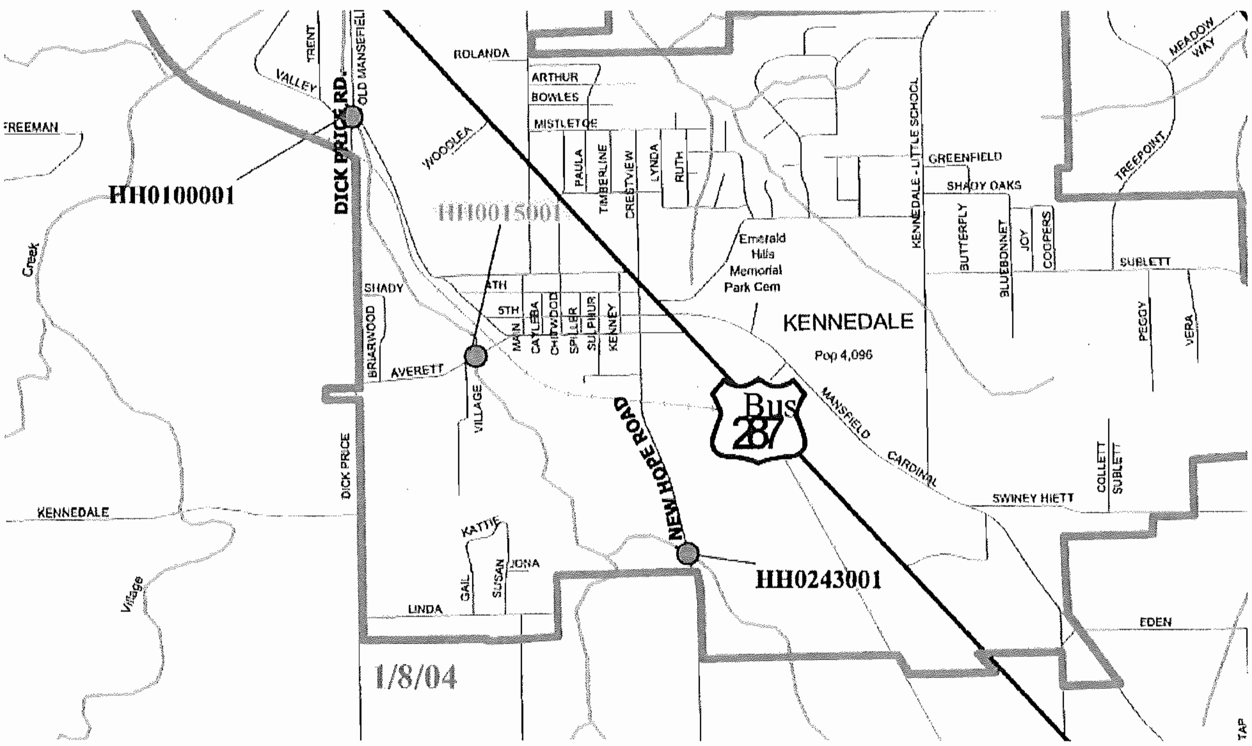
ELEVATION

Looking Southeast

HDR Engineering, Inc (F-754)

# ATTACHMENT B (CONTINUED)

EMP #2: 02-220-HH00-15-001



# ATTACHMENT B (CONTINUED)

DATE: 21 FEB 2016

COUNTY: 220

CONT-SEC: HH00-15

STR: 001

ROADWAY OVER BRIDGE

Looking Southwest

ELEVATION

Looking North

HDR Engineering, Inc (F-754)

CSJ #0902-90-057
District #02-Fort Worth
Code Chart 64 #22000
Project: Kennedale/New Hope Road @ Trib.
of Village Creek
NBI Structure #02-220-HH02-43-002
Federal Highway Administration
CFDA Title: Highway Planning & Construction
CFDA No.: 20.205
Not Research and Development

# ATTACHMENT C **
## LIST OF DISTRICT ENGINEER APPROVED EQUIVALENT MATCH PROJECTS

| Location (and structure identification number, if applicable) | On School Bus Route? (Yes/No) | Historic Bridge? (Yes/No) | Description of Structural or Safety Improvement Work | Estimated Cost |
|---|---|---|---|---|
| 02-220-HH01-00-001 (Valley Lane @ Trib. to Village Creek) – 0.4 miles South of BU 287. | Yes | No | Install Traffic Rail, Approach Rail, Guard Rail End Treatments and Concrete Structural Repair (Vertical or Overhead) | $82,200.00 |
| 02-220-HH00-15-001 (Averett Road @ Branch of Village Creek) 0.3 miles east JCT Dick Price | Yes | No | Channel Improvements – Rip Rap Stone Protection | $83,046.00 |
| | | | | |
| | | | | |
| Total | | | | $165,246.00 |
| EMP work credited to this PWP* | | | | $88,442.26 |
| Balance of EMP work available to associated PWPs | | | | N/A |

*This total should typically equal the “Balance of Local Government Participation” that is waived as shown in Attachment D.

**This attachment not applicable for non-PWPs.

CSJ #0902-90-057
District #02-Fort Worth
Code Chart 64 #22000
Project: Kennedale/New Hope Road @ Trib. of Village Creek
NBI Structure #02-220-HH02-43-002
Federal Highway Administration
CFDA Title: Highway Planning & Construction
CFDA No.: 20.205
Not Research and Development

# ATTACHMENT D
## ESTIMATE OF DIRECT COSTS

| | Estimated Cost | Local Government Participation |
|---|---|---|
| Preliminary Engineering (PE) | (1) $0.00 | |
| Ten Percent (10%) or EDC Adjusted Percent of PE for Local Government Participation | | (3) $0.00 |
| Construction | $867,081.00 | |
| Engineering and Contingency (E&C) | $17,341.62 | |
| The Sum of Construction and E&C | (2) $884,422.62 | |
| Ten Percent (10%) or EDC Adjusted Percent of the Sum of Construction and E&C for Local Government Participation | | (4) $88,442.26 |
| Amount of Advance Funds Paid by Local Government * | | (5) $0.00 |
| Amount of Advance Funds to be Paid by Local Government * | | (6) $0.00 |
| Balance of Local Government Participation which is to be Waived where the Project is a PWP | | (3+4-5-6) $88,442.26 |
| Total Project Direct Cost | (1+2) $884,422.62 | |

*Credited Against Local Government Participation Amount

If this Project is to be a PWP, Amount of EMP Work Being Credited to this PWP as Shown on Attachment C. $88,442.26

## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - G.

---

**I. Subject:**
Consider Resolution 527 adopting an amended City of Kennedale Financial Management Policy

**II. Originated by:**

Finance Director

**III. Summary:**
A Financial Management Policy provides guidelines to enable staff to achieve a long-term, stable financial condition while conducting daily operations and providing services that are consistent with the Council-Manager form of government established in the City Charter.

**The recommended changes to this policy are:**

All Policies Except Investment

We removed requirement to approve annually. The annual requirement to recommend changes to existing policies is an unnecessary burden upon staff time. We will continue to review the policies annually and recommend changes if appropriate. The annual review of the investment policy is a state requirement.

Financial Management Policy

We deleted the Fund Balance and the Cash Management sections because we have separate policy documents covering both of those items. Instead of having similar information in two different places, we believe it best to have the Fund Balance Policy and the Internal Controls & Cash Handling Policies be the one-stop shop for those items. We did not want there to be an instance where one policy gets amended when the other does not--if that happens, we could end up with conflicting policy documents.

Fraud Policy

We created a hierarchical list in case top management is the target of suspected fraud. We wanted to provide staff with clear direction to report if they are aware of any irregularities.

Fund Balance Policy

We extended the 18% minimum requirement to all operating funds to be in line with the spirit of the policy.

Grant  Submission Policy

We added language asking staff to factor in reporting costs when considering grant applications.

Internal Controls and Cash Handling Policy

Upon recommendation from an outside source, added greater segregation of duties and clarified the cash handling policy to allow greater protection for city employees and city funds.

Investment Policy

We updated the policy with recent changes to state law regarding training requirements. In addition, allowed for slightly more aggressive investment of city cash.

Procurement Card Program Policy

We added language allowing us to switch vendors if it benefits the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 201806 Financial Management Policy | 201806 Financial Management Policy.pdf |
| 2. | Resolution | Resolution.doc |

# CITY OF KENNEDALE

KENNEDALE
Finance Department

# FINANCIAL MANAGMENT POLICY

**ORIGINALLY ADOPTED BY CITY COUNCIL: JUNE 10, 2004**

## PREFACE

A Financial Management Policy provides guidelines to enable the City staff to achieve a long-term, stable financial condition, while conducting daily operations and providing services that are consistent with the Council-Manager form of government established in the City Charter.

~~It is our intent to bring forth this policy to Council for review at least annually. In order to demonstrate that review, it will be custom practice for the governing board of a municipality to adopt a resolution to make the review an official public record.~~

## SUBSEQUENT REVIEW & ADOPTION

DECEMBER 11, 2008
NOVEMBER 5, 2009
OCTOBER 14, 2010
NOVEMBER 17, 2011
OCTOBER 3, 2012
OCTOBER 1, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015
OCTOBER 17, 2016
JUNE 18, 2018

## I. PURPOSE

The City of Kennedale's financial policies set forth the basic framework for the fiscal management of the City. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of Kennedale Charter. The policies are intended to assist the City Council and City staff in evaluating current activities and proposals for future programs. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

## II. ANNUAL BUDGET (CHARTER REQUIREMENTS)

A. Fiscal Year – The fiscal year shall begin on the first day of October (1st) and end on the last day of the following September (30th). The fiscal year will also be established as both the accounting and budget year.

B. Submission – The City Manager, within two weeks of receiving July Certified Roll (around August (7th) of each year), shall prepare and submit to the City Council an annual proposed budget (generally during an workshop or retreat) for the ensuing fiscal year designed to meet the goals and objectives of the City Council. It must contain the following:

1) Budget Message shall explain the budget both in fiscal terms and in terms of work programs for the ensuing fiscal year. It shall outline the proposed financial policies of the City and shall include a forecast of a five-year estimate of revenues and expenditures, as well as an effect on taxation;

2) Comparative figures for the estimated income and expenditures for the ensuing fiscal year compared to the combination of: actual income and expenditures through, the latest complete accounting period that information is available for at the commencement of budget preparation, and the estimated income and expenditures for the incomplete portion of the current fiscal year. FOR EXAMPLE: for upcoming FY16/17 budget, comparative should display FY14/15 actual, FY15/16 through May (assuming budget is prepared at this time), FY15/16 year-end estimate, and FY16/17 proposed budget;

3) Proposed Expenditures of each office, department or function;

4) Schedule of debt service requirements due on all outstanding indebtedness and on any proposed debt;

5) Source or basis of the estimates;

6) Balanced budget in which the total of the proposed expenditures shall not exceed the total estimated income and the balance of available funds; and

7) Other information as may be required by the Council or deemed desirable by the City Manager.

C. Public Hearing – Shall be conducted by the Council, allowing interested citizens to express their opinions concerning items of expenditures and/or revenues. The notice of hearing shall be published in the official newspaper of the City of Kennedale not less than ten (10) or more than 30 days before the hearing.

D. Adoption – Following the public hearing, the Council shall further analyze the proposed budget, making any additions or deletions which it feels appropriate, and shall by ordinance, with or without amendment; adopt the budget before the first (Oct 1st) day of the ensuing fiscal year by a majority vote. On final adoption, the budget shall be in effect for the budget year and shall constitute the official appropriations for the current year and the basis of the official levy of the property tax. Should the Council take no final action before the first (1st) day of the ensuing fiscal year, the amounts appropriated for the current fiscal year shall be deemed adopted on a month to month basis.

**III. BASIS OF ACCOUNTING & BUDGETING**

A. Accounting – The City of Kennedale finances shall be accounted for in accordance with generally accepted accounting principles as established by industry practice and applicable governing Accounting Standards Boards.

1) The financial transactions of the City of Kennedale are accounted for and recorded in individual funds. These funds account for revenues and expenditures according to their intended purpose and are used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Governmental funds are used to account for the City's general government activities and include the General, Special Revenue, Internal, Debt Service and Capital Project funds.

2) Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Substantially all material revenues are considered to be susceptible to accrual. A thirty-day availability period is used for revenue recognition for all governmental fund type revenues, to include fines and forfeitures. Expenditures are recognized when the related fund liability is incurred, if measurable, except for un-matured

principal and interest on general long-term debt, which are recorded when due. Compensated absences, claims, and judgments are recorded when the obligations are expected to be paid with current available financial resources.

3) The City of Kennedale does not utilize encumbrance accounting for operating use at year-end.

4) The Proprietary fund types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

B. The budgets shall be prepared and adopted on a cash basis for all governmental funds and ~~modified accrual basis for~~ proprietary funds. The capital projects funds adopt project-length budgets at the time of their presentation. Annual appropriations lapse at fiscal year-end for operating and debt service funds.

## IV. BUDGET ADMINISTRATION

A. All expenditures of the City of Kennedale shall be made in accordance with the annual budget. Budgetary control is maintained at the individual expenditure account level by each department head through the review of all requisitions.

B. The following represents the City of Kennedale budget amendment policy delineating responsibility and authority for the amendment process. Transfers between expenditure accounts in one department may occur with the approval of the Department Head and Director of Finance. Transfers between operating departments may occur with the approval of the City Manager's Office. Transfers between funds must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council. Should the City Council decide a budget amendment is necessary, the amendment is adopted in ordinance format, and the necessary budgetary changes are then made.

C. As a matter of course, continuous budget monitoring requires that deviations from expected amounts of revenue and/or expenditures be noted and estimates revised, if necessary, to avoid financial distress. Budget amendments are thus considered prudent financial management techniques and are deemed to fulfill the requirements of City Charter.

## V. FINANCIAL REPORTING

A. Following the conclusion of the fiscal year, the Director of Finance shall cause to be prepared a Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting and financial reporting principles established by industry practice and statements issued by the Governmental Accounting Standards Board (GASB). The document shall also satisfy all criteria of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program.

B. The CAFR shall show the status of the city's finances on the basis of generally accepted accounting principles (GAAP). The CAFR shall show fund revenues and expenditures on both a GAAP basis and budget basis for comparison purposes. In most cases, this reporting conforms to the way the city prepares its budget. Differences in format are acknowledged through reconciliations. Liabilities for post-employment benefits and compensated absences (accrued but unused sick and vacation leave) are not reflected in the budget, but are accounted for in the CAFR's government-wide financial statements. The government-wide financial statements modify the presentation of the governmental funds by presenting their results in the same manner as proprietary funds.

C. Included as part of the CAFR shall be the results of the annual audit prepared by independent certified public accountants designated by the City Council.

D. Each fiscal year, the Director of Finance will analyze accounts receivable balances and, if necessary, write off uncollectible accounts in accordance with applicable statutes after review by the City Manager or his designee.

E. The City Manager shall present a monthly financial report and such additional information as may be required by the City Council. All income and expenses for the preceding month and for the year to date shall be shown and compared to the fiscal budget. These reports will be prepared by the Finance Department and distributed to and reviewed by each department head. Information obtained from financial reports and other operating reports is to be used by department heads to monitor and control the budget as authorized by the City Manager.

F. The auditor's report on City's financial statements shall be completed and submitted to the City Council within one hundred twenty (120) days after the City's fiscal year end.

## VI. REVENUES

A. To protect the City of Kennedale's financial integrity, the City will maintain a diversified and stable revenue system to shelter it from fluctuations in any particular revenue source.

1) The City will strive to keep the revenue system simple, which will result in a decrease of compliance costs for the taxpayer or service recipient and a corresponding decrease in avoidance to pay.

2) The City will strive to understand its revenue sources and predict the reliability of revenue streams. City will enact consistent collection policies so that management may reasonably rely upon the certainty that revenues will materialize according to budgets, plans, and programs.

B. For every annual budget, the City of Kennedale shall levy two property tax rates: operation/maintenance and debt service. The debt service levy shall be sufficient for meeting all principal and interest payments associated with the City's outstanding debt for that budget year. The debt service levy and related debt service expenditures shall be accounted for in the General Debt Service fund. The operation and maintenance levy shall be accounted for in the General Fund.

1) The City of Kennedale will maintain a policy of levying the lowest tax rate on the broadest tax base. Mandated exemptions will be provided to home owners, senior citizens and disabled citizens. On an annual basis during the budget process, City Council will review the exemption for senior citizens and disabled persons with a goal to maintain a tax benefit of approximately 30% of the average home value.

2) Property shall be assessed at 100% of the fair market value as appraised by Tarrant Central Appraisal District. Reappraisal and reassessment will be done regularly as required by State law. A 99% collection rate on current assessments and a 1% collection rate on delinquent assessments and penalties will serve as "the goal" for tax collections.

C. The City of Kennedale will establish user charges and fees at a level that attempts to recover the full cost of providing the service.

1) User fees, particularly utility rates, should identify the relative costs of serving different classes of customers.

2) The City will make every reasonable attempt to ensure accurate measurement of variables impacting taxes and fees (e.g. verification of business sales tax payments, verification of appraisal district property values, accuracy of water meters, etc.)

3) The City will strive to maintain equity in the revenue system structure. That is, the City will seek to minimize or eliminate all forms of subsidization among entities, funds, services, utilities, and customers.

D. The City of Kennedale will attempt to maximize the application of its financial resources by obtaining supplementary funding through agreements with other public and private agencies for the provision of public services or the construction of capital improvements. The City of Kennedale will consider market rates and charges levied by other public and private organizations for similar services in establishing tax rates, fees and charges.

E. When developing the annual budget, the City Manager shall project revenues from every source based on actual collections from the preceding year and estimated collections of the current fiscal year, while considering known circumstances, which will impact revenues for the new fiscal year. The revenue projections for each fund should be made conservatively so that total actual fund revenues exceed budgeted projections.

## VII. OPERATING EXPENDITURES

A. Operating expenditures shall be accounted, reported, and budgeted for in the following major categories:

1) Personnel
2) Supplies
3) Maintenance
4) Sundry
5) Debt
6) Transfers
7) Capital
8) Grants

B. The annual budget shall appropriate sufficient funds for operating, recurring expenditures necessary to maintain established quality and scope of city services.

C. The City of Kennedale will constantly examine the methods for providing public services in order to reduce operating, recurring expenditures and/or enhance quality and scope of public services with no increase to cost.

D. Personnel expenditures will reflect the minimum staffing needed to provide established quality and scope of city services. To attract and retain employees necessary for providing high-quality service, the City shall maintain a compensation and benefit package competitive with the public and, when quantifiable, private service industries.

E. Supplies expenditures shall be sufficient for ensuring the optimal productivity of City employees.

F. Maintenance expenditures shall be sufficient for addressing the deterioration of the City's capital assets to ensure the optimal productivity of the capital assets. Maintenance should be conducted to ensure a relatively stable level of maintenance expenditures for every budget year.

G. Sundry expenditures include fees for attorneys, auditors, consultants and other services that require specialized expertise.

H. The City of Kennedale will utilize contracted labor for the provision of city services whenever private contractors can perform the established level of service at less expense to the City. The City will regularly evaluate its agreements with private contractors to ensure the established levels of service are performed at the lowest possible cost.

I. Existing capital equipment shall be replaced when needed to ensure the optimal productivity of City of Kennedale employees. New capital purchases shall be made only to enhance employee productivity, improve quality of service, or expand scope of service.

J. To assist in controlling the growth of operating expenditures, operating departments will submit their annual budgets to the City Manager within fiscal parameters provided by the City Manager's Office.

K. All purchases shall be in accordance with City's Purchasing Policy and in accordance with State law.

L. All invoices will be paid within thirty (30) days of receipt in accordance with State law. Procedures will be used to take advantage of all purchase discounts where considered cost effective. Payments will be processed in order to maximize the city's investable cash.

M. The City will pursue every opportunity to provide for the public's and City employees' safety. Health insurance coverage and property and casualty insurance coverage will be reviewed annually as to amount of coverage provided and cost effectiveness.

N. The City will maintain property, liability and workman's compensation coverage through participation in the Texas Municipal League's (TML) Intergovernmental Risk Pool. The Pool maintains reinsurance coverage to protect the Pool in the event of excessive losses.

## XIII. DEBT EXPENDITURES

A. The City of Kennedale will issue debt only to fund capital projects, which cannot be supported by current, annual revenues.

B. The City will strive to maintain a bond coverage ratio of 1.50 times in the Water/Sewer Fund.

C. To minimize interest payments on issued debt, the City will maintain a rapid debt retirement policy by issuing debt with maximum maturities not exceeding 20 years (i.e., the life of the bonds will not exceed the useful life of the projects financed). Retirement of debt principal will be structured to ensure constant annual debt payments.

D. The City of Kennedale will attempt to maintain unenhanced, underlying base bond ratings (prior to insurance) of A+ (Standard & Poor's) on its general obligation debt. The City shall continue to seek to enhance its credit quality by frequent contact and visits with the rating agencies and monitoring the current trends and guidance from the agencies.

E. When needed to minimize annual debt payments, the City of Kennedale will obtain insurance for new debt issues.

F. In order to minimize the impact of debt issuance on the property tax rate and to assist the City in meeting its arbitrage requirements, the City will consider the sequential sale of bonds for the purpose of financing capital projects.

G. The City will maintain procedures that comply with arbitrage rebate and other federal requirements. City will attempt, within legal bounds, to adopt strategies, which will minimize the arbitrage rebate of interest earnings on unspent bond proceeds it must pay to the federal government.

## IX. CAPITAL EXPENDITURES

A. The City of Kennedale will develop a multi-year plan for capital projects, which identifies all projects likely to be constructed within a five year horizon. The multi-year plan will reflect for each project the likely source of funding and attempt to quantify the project's impact to future operating expenditures.

B. Capital projects will be constructed to:

a. Protect or improve the community's quality of life;

b. Protect or enhance the community's economic vitality;

c. Support new development; and/or

d. Provide significant rehabilitation of City infrastructure for sustained service.

C. Capital project expenditures will not be authorized by the City Council without identification and commitment of revenue sources sufficient to fund the improvement. Potential funding sources include, but are not limited to, reserve funds, debt issuances, matching fund revenues, user fees, grants, or reallocation of existing capital funds with the recognition that construction of previously authorized capital projects may be delayed or postponed.

D. Capital Improvement Planning and Programming shall include the following categories for the determination of funding for individual projects: design costs, right-of-way costs, utility construction/adjustment costs, construction costs, appropriate contingency funds, furnishings and equipment, and direct project administration services provided by City employees or outside forces.

E. Cost incurred for advanced planning of capital projects may be funded from reimbursement of appropriate debt or operating funds.

F. The City will intend to maintain adequate funding levels in the developer participation fund to ensure that no City obligation for participation goes unfunded for a period of more than one (1) year.

G. The City will utilize $5,000 as its threshold for capital purchases.

H. To minimize the issuance of debt, the City of Kennedale will attempt to support capital projects with appropriations from operating revenues or excess fund balances (i.e. "pay-as-you-go").

## X. UTILITY CAPITAL EXPENDITURES

A. The City of Kennedale uses three funding sources for Utility Capital expenditures.

1) Utility rates are designed to provide for a depreciation reserve, which accumulates resources to replace or rehabilitate aging infrastructure.

2) The multi-year financial plan provides debt strategies to finance needed capital items.

3) Annual transfers may be made from utility operations to maintain adequate funding for capital items.

## XI. FUND TRANSFERS

A. Fund transfers may occur when surplus fund balances are used to support non-recurring capital expenses or when needed to satisfy debt service obligations.

B. Fund transfers are used to pay for the following types of costs:

1) <u>Administrative</u> - Transfer from Water/Sewer Fund (Proprietary Fund) and Economic Development Corporation Fund (Component Unit) to reimburse the General Fund for recurring support costs, such as personnel, materials, etc.

2) Franchise Fees – Transfer from Water/Sewer Fund (Proprietary Fund) to the Street Improvement Fund (General Fund) to pay franchise fees. These are otherwise known as right-of-way fees.

## XII. ~~FUND BALANCE~~

~~A. The annual budget shall be presented to Council, with each fund reflecting minimum ending fund balances as follows:~~

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| | |
|---|---|
| ~~1) General Fund~~ | ~~18% of Expenditures~~ |
| ~~2) General Debt Service Fund~~ | ~~7% of Expenditures~~ |
| ~~3) Water/Sewer Fund (Working Capital)~~ | ~~18% of Expenditures~~ |
| ~~4) Water/Sewer Debt Service Fund~~ | ~~Compliance With Bond Covenants~~ |
| ~~5) Economic Development Corporation Fund~~ | ~~18% of Expenditures~~ |

~~B. Fund balances, which exceed the minimum level established for each fund, may be appropriated for non-recurring capital projects or programs.~~

~~C. The City of Kennedale will exercise diligence in avoiding the appropriation of fund balance for recurring operating expenditures. In the event that fund balance is appropriated for recurring operating expenditures to meet the needs of the community, the budget document shall include an explanation of the circumstances requiring the appropriation, and the methods to be used to arrest the future use of fund balance for operating expenditures.~~

~~D. For financial statement purposes, all governmental fund balances will be classified as follows:~~

~~1) Non-spendable – Amounts that cannot be spent; legally or contractually required to be maintained.~~

~~2) Restricted – Amounts that have external enforceable legal restrictions.~~

~~3) Committed – Amounts that can only be used for specific purposes as directed through formal action of the City Council. Amounts can only be changed or revoked through similar formal action of the Council.~~

~~4) Assigned – Amounts intended to be used for specific purposes as designated by management.~~

~~5) Unassigned – Remaining amounts that have not met the criteria for non-spendable, restricted, committed or assigned.~~

~~E. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.~~

## XII~~I~~. LONG-TERM FINANCIAL PLAN

The City of Kennedale will adopt the annual budget in the context of a long-term financial plan, or other multi-year budget analysis. The long-term financial plans will establish assumptions for revenues, expenditures and changes to fund balances over a five year horizon. The assumptions will be evaluated periodically as part of the budget development process.

## ~~XIV. CASH MANAGEMENT & INTERNAL CONTROLS~~

~~A. Written Procedures - The Director of Finance is responsible for developing written guidelines on accounting, cash handling, segregation of duties, and other financial matters, which will be approved by the City Manager. The Finance Department will assist department heads as needed in tailoring such guidelines to fit each department's requirements, as well as periodically review staffing and training to ensure adequacy.~~

~~B. Department Heads' Responsibility - Each department head is responsible to the City Manager to ensure that proper internal controls are followed throughout his or her department to safeguard City funds, that all guidelines on accounting and internal controls are implemented, and that all independent auditor control recommendations are addressed.~~

~~C. Cash – City cash shall be deposited on a daily basis unless approved by Finance.~~

~~D. Investments - The City's investment portfolio shall be managed in accordance with the Public Funds Investment Act and the City's Investment Policy. The timing and amount of cash needs and availability shall be systematically projected in order to maximize interest earnings from investments. As per state law, the Director of Finance will issue quarterly reports on investment activity to the City Council. Each report will be issued within thirty (30) days from the end of the quarter.~~

~~E. Capital Assets and Inventory - Such assets will be reasonably safeguarded and properly accounted for and prudently insured. The capital asset inventory will be updated regularly.~~

## ~~XV. ANNUAL REVIEW~~

~~The Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.~~

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**RESOLUTION NO. _**

**A RESOLUTION ADOPTING AN AMENDED CITY OF KENNEDALE FINANCIAL MANAGEMENT POLICY**

**WHEREAS,** on June 10, 2004, City Council adopted the document entitled, "Financial Management Policy," a framework for fiscal decision-making to ensure that financial resources are available to meet the present and future needs of the citizens of Kennedale; and

**WHEREAS**, the benefits of financial management policies are to improve and streamline the decision-making process, enhance credibility, provide a sense of continuity, and provide a means for dealing with fiscal emergencies; and

**WHEREAS**, the City Council has reviewed the City's Financial Management Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

The City Council of the City of Kennedale, Texas hereby approves the amended Financial Management Policy dated June 18th, 2018, attached hereto as "Exhibit A."

**PASSED, ADOPTED AND APPROVED** by the City Council of the City of Kennedale, Texas, this the 18th day of June, 2018.

APPROVED:

__________________________
Mayor, Brian Johnson

ATTEST:

______________________________
City Secretary, Leslie Galloway

KENNEDALE
You're Here, Your Home
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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - H.

---

**I. Subject:**
Consider Resolution 528 adopting an amended City of Kennedale Fraud Policy

**II. Originated by:**

Finance Director

**III. Summary:**
A fraud policy is established to facilitate the development of controls that will aid in the prevention, deterrence, and detection of fraud against the City of Kennedale.

**The recommended changes to this policy are:**

<u>All Policies Except Investment</u>

We removed requirement to approve annually. The annual requirement to recommend changes to existing policies is an unnecessary burden upon staff time. We will continue to review the policies annually and recommend changes if appropriate. The annual review of the investment policy is a state requirement.

<u>Financial Management Policy</u>

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<u>Fraud Policy</u>

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<u>Fund Balance Policy</u>

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<u>Grant  Submission Policy</u>

We added language asking staff to factor in reporting costs when considering grant applications.

Internal Controls and Cash Handling Policy

Upon recommendation from an outside source, added greater segregation of duties and clarified the cash handling policy to allow greater protection for city employees and city funds.

Investment Policy

We updated the policy with recent changes to state law regarding training requirements. In addition, allowed for slightly more aggressive investment of city cash.

Procurement Card Program Policy

We added language allowing us to switch vendors if it benefits the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 201806 Fraud Policy | 201806 Fraud Policy.pdf |
| 2. | Resolution | Resolution.doc |

# CITY OF KENNEDALE

KENNEDALE
Finance Department

# FRAUD POLICY

**ORIGINALLY ADOPTED BY CITY COUNCIL: JANUARY 13, 2005**

## PREFACE

The aim of the Fraud Policy is to safeguard the reputation and financial viability of the City of Kennedale through improved management of fraud risk.

The fraud policy is established to facilitate the development of controls that will aid in the prevention, deterrence and detection of fraud against City of Kennedale. It is the intent of City of Kennedale to promote consistent organizational behavior by providing guidelines and assigning responsibility of the development of controls and conduct of investigations.

~~It is our intent to bring forth this policy to Council for review at least annually. In order to demonstrate that review, it will be custom practice for the governing board of a municipality to adopt a resolution to make the review an official public record.~~

## SUBSEQUENT REVIEW & ADOPTION

DECEMBER 11, 2008
NOVEMBER 5, 2009
OCTOBER 14, 2010
OCTOBER 13, 2011
OCTOBER 3, 2012
OCTOBER 1, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015
OCTOBER 17, 2016
JUNE 18, 2018

## I. BACKGROUND

The City of Kennedale fraud policy is established to facilitate the development of controls that will aid in the detection, deterrence and prevention of fraud against City of Kennedale. It is the intent of City of Kennedale to promote consistent organizational behavior by providing guidelines and assigning responsibility of the development of controls and conduct of investigations.

## II. SCOPE OF POLICY

This policy applies to any irregularity, or suspected irregularity, involving employees as well as consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with City of Kennedale.

Any investigative activity required will be conducted with regard to the suspected wrongdoer's length of service, position/title, or relationship to the City of Kennedale.

## III. POLICY

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her inquiry. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any irregularity that is detected or suspected must be confidentially reported immediately to the City Manager, who coordinates all investigations with the legal counsel and other affected areas both internal and external. If the City Manager is a subject of the irregularity, the investigation shall be reported to the City Attorney. In the event multiple parties are subject to the irregularity, it should be reported to the highest non-implicated person in the following order:

A. City Manager
B. City Attorney
C. Mayor
D. Chief of Police
E. Director of Human Resources
F. Director of Finance
G. City Secretary
H. District Attorney

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## IV. ACTIONS CONSTITUTING FRAUD

The terms defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

A. Any dishonest or fraudulent act;

B. Misappropriation of funds, securities, supplies, or other assets;

C. Impropriety in the handling or reporting of money or financial transactions;

D. Profiteering as a result of insider knowledge of City activities;

E. Disclosing confidential and proprietary information to outside parties;

F. Disclosing to other persons activities engaged in contemplated by the City of Kennedale;

G. Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the City of Kennedale. Exception: Gifts less than $25 in value;

H. Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and /or

I. Any similar or related irregularity.

**V. OTHER IRREGULARITIES**

*Irregularities* concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental management and Human Resources.

If there is any question as to whether an action constitutes fraud, contact the appropriate department head for guidance.

**VI. INVESTIGATION RESPONSIBLITIES**

City Manager has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. Should an investigation substantiates that fraudulent activities have occurred, the City Manager will issue reports to appropriate designated personnel, and if appropriate, to the City Council.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final decisions on disposition of the case.

**VII. CONFIDENTIALITY**

All parties involved will treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the City Manager Office immediately, and **should not attempt to personally conduct investigations or interview/interrogations** related to any suspected fraudulent act (see REPORTING PROCEDURE section below).

Investigation results **will not be disclosed or discussed** with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the City of Kennedale from potential civil liability.

## VIII. AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD

All searches must be authorized in advance by the City Manager and conducted under the direction of the Department Head and/or City Manager. The City Manager or designee will have:

A. Free and unrestricted access to all City of Kennedale records and premises at any time, whether owned or rented; and

B. The authority to conduct unannounced searches or inspections of the worksite, including, but not limited to, City property used by employees such as lockers, file cabinets, desks, vehicles and offices, whether secured, unsecured or secured by a lock provided by the employee; and

C. If reasonable suspicion exists, the authority to conduct unannounced searches or inspection of the employee's personal property located on City premises, included purses, lunch boxes, brief cases and private vehicles or vehicles used to conduct City business located on City property; and

D. **Employees are not entitled to any expectation of privacy with respect to such or similar items. Employee refusal to cooperate with a search will likely be subject to disciplinary action, up to and including termination.**

## IX. REPORTING PROCEDURES

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will **contact his or her department head immediately**. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the City Manager or his designee or the legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiries is: **"I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation" or any other specific reference.**

The reporting individual should be informed of the following:

A. Do not contact the suspected individual in an effort to determine facts or demand restitution.

B. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the legal counsel or the investigating agency.

## X. TERMINATION

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated representatives from Human Resources and the legal counsel before any such action is taken. Should the employee believe the management decision inappropriate for the facts presented, the facts will be presented to executive level management for a decision through the appropriate appeals process in personnel policy.

## XI. ADMINSTRATION

City Management is responsible for the administration, revision, interpretation, and application of this policy.

## ~~XII. ANNUAL REVIEW~~

~~The Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.~~

**RESOLUTION NO. ____**

**A RESOLUTION ADOPTING AN AMENDED CITY OF KENNEDALE FRAUD POLICY**

**WHEREAS,** on January 13, 2005, City Council adopted the document entitled, "Fraud Policy," a framework in which the aim is to safeguard the reputation and financial viability of the City of Kennedale through improved management of fraud risk; and

**WHEREAS**, a fraud policy is established to facilitate the development of controls that will aid in the prevention, deterrence and detection of fraud against City of Kennedale. It is the intent of City of Kennedale to promote consistent organizational behavior by providing guidelines and assigning responsibility of the development of controls and conduct of investigations; and

**WHEREAS**, the City Council has reviewed the City's Fraud Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

The City Council of the City of Kennedale, Texas hereby approves the amended Fraud Policy dated June 18, 2018, attached hereto as "Exhibit A."

**PASSED, ADOPTED AND APPROVED** by the City Council of the City of Kennedale, Texas, this the 18th day of June, 2018.

APPROVED:

______________________________
Mayor, Brian Johnson

ATTEST:

______________________________
City Secretary, Leslie Galloway

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - I.

---

**I. Subject:**
Consider Resolution 529 adopting an amended City of Kennedale Fund Balance Policy

**II. Originated by:**

Finance Director

**III. Summary:**
The purpose of the Fund Balance Policy is to establish guidelines for fund balance levels within each of City of Kennedale's funds. It is essential that the City maintain adequate levels of fund balance to mitigate the financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, or adverse circumstances. The fund balance level is also designed to provide an appropriate amount of working capital for the City's general operations. In general, the City of Kennedale should strive to avoid appropriating fund balance for recurring expenses. However, in the event that fund balance is used to support recurring expenses, the budget should clearly identify the uses of fund balance and provide an explanation of the circumstances requiring the use of fund balance. In addition, the budget should also address the future potential uses of fund balance for operating expenditures.

The objective of the Governmental Accounting Standards Board Statement Number 54 (GASB 54) is "to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions."

**Classifications of Funds**
*Nonspendable* Fund Balance typically takes one of two forms. It might be in a form that is not expected to be converted to cash, such as inventory or prepaid expenses. Alternatively, there might be legal or contractual reasons that require it to be maintained intact, such as the corpus of a permanent fund, where the principal can never be spent.

*Restricted* Fund Balance is for those funds that must be spent for specific purposes due to restrictions by external parties. External parties include creditors, grantors, contributors, or laws or regulations of other governments.

*Committed* Fund Balance occurs when the City Council sets aside funds to be used solely for a specific purpose. This constraint on use can only be imposed by the highest level of decision-making authority and the constraint can only be removed or changed by that same authority.

*Assigned* Fund Balance is for amounts intended to be used for specific purposes, but the intent does not have to be determined by the highest level of decision-making authority. In this case, the funds might be constrained by a body (such as a budget or finance committee) or an official to whom the City Council has delegated the authority to assign amounts (such as the City Manager or CFO).

*Unassigned* Fund Balance is the amount of the General Fund's fund balance that has not been restricted, committed or assigned. It is available for any purpose.

**The recommended changes to this policy are:**

All Policies Except Investment

We removed requirement to approve annually. The annual requirement to recommend changes to existing policies is an unnecessary burden upon staff time. We will continue to review the policies annually and recommend changes if appropriate. The annual review of the investment policy is a state requirement.

Financial Management Policy

We deleted the Fund Balance and the Cash Management sections because we have separate policy documents covering both of those items. Instead of having similar information in two different places, we believe it best to have the Fund Balance Policy and the Internal Controls & Cash Handling Policies be the one-stop shop for those items. We did not want there to be an instance where one policy gets amended when the other does not--if that happens, we could end up with conflicting policy documents.

Fraud Policy

We created a hierarchical list in case top management is the target of suspected fraud. We wanted to provide staff with clear direction to report if they are aware of any irregularities.

Fund Balance Policy

We extended the 18% minimum requirement to all operating funds to be in line with the spirit of the policy.

Grant  Submission Policy

We added language asking staff to factor in reporting costs when considering grant applications.

Internal Controls and Cash Handling Policy

Upon recommendation from an outside source, added greater segregation of duties and clarified the cash handling policy to allow greater protection for city employees and city funds.

Investment Policy

We updated the policy with recent changes to state law regarding training requirements. In addition, allowed for slightly more aggressive investment of city cash.

Procurement Card Program Policy

We added language allowing us to switch vendors if it benefits the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 201806 Fund Balance Policy | 201806 Fund Balance Policy.pdf |
| 2. | Resolution | Resolution.doc |

# CITY OF KENNEDALE

# FUND BALANCE POLICY

**ORIGINALLY ADOPTED BY CITY COUNCIL: SEPTEMBER 22, 2011**

## PREFACE

The purpose of this policy is to establish guidelines for fund balance levels within each of City of Kennedale's funds. It is essential that the City maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, or adverse circumstances. The fund balance level is also designed to provide an appropriate amount of working capital for the City's general operations. In general, the City of Kennedale should strive to avoid appropriating fund balance for recurring expenses. However, in the event that fund balance is used to support recurring expenses, the budget should clearly identify the uses of fund balance and provide an explanation of the circumstances requiring the use of fund balance. In addition, the budget should also address the future potential uses of fund balance for operating expenditures.

~~It is our intent to bring forth this policy to Council for review at least annually. In order to demonstrate that review, it will be custom practice for the governing board of a municipality to adopt a resolution to make the review an official public record.~~

## SUBSEQUENT REVIEW & ADOPTION

OCTOBER 3, 2012
OCTOBER 1, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015
OCTOBER 17, 2016
JUNE 18, 2018

## I. BACKGROUND

The Governmental Accounting Standards Board (GASB) has adopted Statement 54 (GASB 54), a new standard for governmental fund balance reporting and governmental fund type definitions that became effective in governmental fiscal years starting after June 15, 2010.

The City of Kennedale elects to implement GASB 54 requirements, and to apply such requirements to its financial statements beginning with the current October 1, 2010 – September 3, 2011 fiscal year.

## II. DEFINITIONS & CATEGORIES

Fund Balance is defined as the difference between a fund's assets and liabilities. According to the Governmental Accounting Standards Board (GASB) statement number 54, fund balance must be allocated into one the following five categories:

*Non-Spendable Fund Balance* - Includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.

*Restricted Fund Balance* - Includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and hotel occupancy taxes.

*Committed Fund Balance* - Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

*Assigned Fund Balance* - Comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned Fund Balance* - Is the residual classification of the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

**Note: The above fund balance categories only apply to governmental funds.**

## III. POLICY

*Committed Fund Balance*

The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an ordinance adopted by the City Council. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

*Assigned Fund Balance*

The City Council authorizes the City Manager, Director of Finance or their designee as the official authorized person to assign fund balance to a specific purpose approved by this fund balance policy.

*Order of Expenditure of Fund Balance*

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally, this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

*Minimum Unassigned Fund Balance*

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund and all operating funds equal to eighteen percent (18%) with a goal of twenty-five percent (25%) of budgeted expenditures for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances. The fund balance level, however, may be reduced to the equivalent of twelve percent (12%) of budgeted expenditures in unusual financial circumstances. However, if such a situation occurs, the City will implement necessary corrective action within a five-year plan to restore the unassigned fund balance to eighteen percent (18%) to twenty-five percent (25%) of budgeted expenditures.

As for the General Fund Debt Service Fund, it is the goal of the City to achieve and maintain an unassigned fund balance equal to seven percent (7%) with a goal of ten percent (10%). Should the fund balance level be reduced to five percent (5%) in unusual financial circumstances, the City will implement necessary corrective action within a five-year plan to restore the unassigned fund balance to seven percent (7%) to ten percent (10%) of budgeted expenditures. If restoring the General Fund Balance and General Fund Debt Service Fund balance are in conflict, restoring the General Fund Balance takes priority.

*Non-Governmental Fund Balance*

The fund balance categories discussed above do not apply to proprietary funds according to GASB 54. While not required by the GASB, the City recognizes the need to apply a minimum balance policy to the proprietary funds maintained by the City. Therefore, the City shall maintain a minimum ending working capital balance (current assets minus current liabilities) of eighteen percent (18%) with a goal of twenty-five percent (25%) of budgeted expenditures for the Water/Sewer Fund. If the working capital level should fall below the desired minimum, the City will implement necessary corrective action within a five-year plan to restore the working capital balance to eighteen percent (18%) to twenty percent (25%) of budgeted expenditures.

## ~~IV. ANNUAL REVIEW~~

~~The Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.~~

**RESOLUTION NO. _____**

**A RESOLUTION ADOPTING AN AMENDED CITY OF KENNEDALE FUND BALANCE POLICY**

**WHEREAS,** on September 22, 2011, City Council adopted the document entitled, “Fund Balance Policy,” a framework for fiscal decision-making to ensure that financial resources are available to meet the present and future needs of the citizens of Kennedale; and

**WHEREAS,** the City of Kennedale, Texas (“City") elected to implement Governmental Accounting Standards Board ("GASB 54") requirements, and to apply such requirements to its financial statements beginning with the October 1, 2010 – September 30, 2011 fiscal year; and

**WHEREAS,** GASB has adopted a new standard in GASB 54 for governmental fund balance reporting and governmental fund type definitions that the City desires to implement in its Fund Balance Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

The City Council of the City of Kennedale, Texas hereby approves the amended Fund Balance Policy dated June 18, 2018, attached hereto as “Exhibit A.”

**PASSED, ADOPTED AND APPROVED** by the City Council of the City of Kennedale, Texas, this the 18th day of June, 2018.

APPROVED:

_________________________
Mayor, Brian Johnson

ATTEST:

_________________________
City Secretary, Leslie Galloway

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - J.

---

**I. Subject:**
Consider Resolution 530 adopting an amended City of Kennedale Grant Submission & Acceptance Policy

**II. Originated by:**

Finance Director

**III. Summary:**
From time to time, various City departments have the opportunity to seek, apply for and receive grant funding for, but not limited to federal, state and local sources. In an effort to support and advance the mission, goals and objectives of the City of Kennedale, this Grant Submission & Acceptance Policy establishes standard practices and procedures to create uniformity, economy, efficiency and effectiveness in the proper management and accounting of such grants.

**The recommended changes to this policy are:**

<u>All Policies Except Investment</u>

We removed requirement to approve annually. The annual requirement to recommend changes to existing policies is an unnecessary burden upon staff time. We will continue to review the policies annually and recommend changes if appropriate. The annual review of the investment policy is a state requirement.

<u>Financial Management Policy</u>

We deleted the Fund Balance and the Cash Management sections because we have separate policy documents covering both of those items. Instead of having similar information in two different places, we believe it best to have the Fund Balance Policy and the Internal Controls & Cash Handling Policies be the one-stop shop for those items. We did not want there to be an instance where one policy gets amended when the other does not--if that happens, we could end up with conflicting policy documents.

<u>Fraud Policy</u>

We created a hierarchical list in case top management is the target of suspected fraud. We wanted to provide staff with clear direction to report if they are aware of any irregularities.

<u>Fund Balance Policy</u>

We extended the 18% minimum requirement to all operating funds to be in line with the spirit of the policy.

Grant  Submission Policy

We added language asking staff to factor in reporting costs when considering grant applications.

Internal Controls and Cash Handling Policy

Upon recommendation from an outside source, added greater segregation of duties and clarified the cash handling policy to allow greater protection for city employees and city funds.

Investment Policy

We updated the policy with recent changes to state law regarding training requirements. In addition, allowed for slightly more aggressive investment of city cash.

Procurement Card Program Policy

We added language allowing us to switch vendors if it benefits the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 201806 Grant Submission & Acceptance Policy | 201806 Grant Submission & Acceptance Policy.pdf |
| 2. | Resolution | Resolution.doc |

# CITY OF KENNEDALE

KENNEDALE
Finance Department

# GRANT SUBMISSION & ACCEPTANCE POLICY

**ORIGINALLY ADOPTED BY CITY COUNCIL: MARCH 11, 2010**

**PREFACE**

From time to time, various city departments have the opportunity to seek, apply for and receive grant funding for, but not limited to federal, state and local sources. In an effort to support and advance the mission, goals and objectives of the City of Kennedale, this policy establishes standard practices and procedures to create uniformity, economy, efficiency and effectiveness in the proper management and accounting of such grants.

It is the recommendation of our independent auditors that our main policies be reviewed by the Director of Finance for updates in relation to our internal control practices~~ and submitted to Council at least annually.~~. ~~In order to demonstrate our review, it is custom practice for the governing board of a municipality to adopt a resolution to make the review an official public record.~~

**SUBSEQUENT REVIEW & ADOPTION**

OCTOBER 14, 2010
OCTOBER 13, 2011
OCTOBER 3, 2012
OCTOBER 1, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015
OCTOBER 17, 2016
JUNE 18, 2018

## I. PURPOSE

To establish standard practices and procedures to create uniformity, economy, efficiency and effectiveness in the proper management and accounting of grants including, but not limited to federal, state and local sources.

## II. POLICY

In an effort to support and advance the missions, goals and objectives of the City of Kennedale, city departments shall from time to time have the opportunity to seek, apply for and receive grant funding.

All solicitations for external funding, whether they require or make promise of matching funds from the City, must receive the appropriate Department Director, City Manager and/or City Council, and then Finance Department approval prior to application submission.

## III. GRANT OFFICIALS

It is the policy of each Department Director to designate a Project Manager to maintain stringent control over all monies administered by their department and to ensure that all funds are used only for authorized purposes and managed in accordance with the city's budget and Finance Department. It is also the responsibility of the Project Manager within each department to maintain control over all documentation necessary to facilitate and manage the awarded grant. All grants are required to have three different grant officials.

A. Authorized Official

1) Only the City Manager, or an authorized designee, shall be authorized to sign all grant documents and be listed as the authorized official on behalf of the City of Kennedale.

B. Project Manager

1) The Project Manager shall be responsible for the day-to-day operations of the project. Each department within the city may have a different project manager per grant. The Project Manager must be a city employee and will have sole responsibility for program reporting.

C. Financial Officer

1) The Financial Officer is required to be the Chief Financial Officer (CFO) or Director of Finance for the City of Kennedale. This person shall be responsible for maintaining financial records, account for all grant funds, supplying required

financial reports as deemed necessary and providing all information during any and all grant funding audits.

## III. GRANT SEARCH

A. Each department within the city is responsible for monitoring grant announcements to identify new grant opportunities and actively pursue specific grants for existing or potential projects and/or programs and disseminating that information throughout the department.

B. Each department shall be responsible in developing its project, program and research ideas.

C. Each department shall be responsible to review funding agencies, compare the types of proposals and the amount of funding awarded with the goals of your project.

~~C.~~D. Departments should weigh the reporting and compliance costs when searching for grants. Not all grants are worth the added staff time in maintaining the grant.

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## IV. GRANT SUBMISSION

A. There may be several application processes each year depending on funding. When grant opportunities are discovered, each department shall be responsible for preparing a calendar for the grant application process. Special attention should be made to application deadlines.

B. Once grant opportunities are identified, project managers must obtain the appropriate Department Director, City Manager and/or City Council, and then Finance Department approval prior to application submission. In the event that the City Manager deems it necessary to seek City Council approval, each department is responsible for the preparation and submission of a Staff Memo and supporting resolution to Council for the consideration of funding.

C. The Finance Department aids Project Managers in the financial structure of the proposed projects. In order to successfully do such, the Project Manager must be knowledgeable of the financial and administrative requirements of the grantor agency, application instruction, and all other financial aspects of the proposed grant. Project managers and/or grant writers may submit applications to the Finance Department for review and analysis for accuracy and compliance with all applicable financial rules and regulations, including any applicable cash match requirement. The applications may be returned to the Project Manager as necessary for any revisions.

D. The Project Manager will obtain all appropriate signatures and submit the grant applications, as well as any supporting documentation to the grantor agency by the submission deadline. The Project Manager shall also coordinate with other city departments should their involvement be required upon grant award and acceptance.

## V. GRANT ACCEPTANCE

A. Should funds be awarded, each grant must be scheduled for City Council acceptance and/or acknowledgement. In the event the City Manager deems acceptance necessary, the Project Manager shall prepare a packet and place the grant on the appropriate City Council agenda. The city shall officially accept each grant by completing all administrative requirements and obtaining appropriate signatures as specified in the Statement of Award. Each grant awarded outlines acceptance deadlines. Special care must be met to meet these deadlines.

B. In cases where a local or other match is required by the city, the City Manager and Finance Department must work closely together with the Project Manager in order to meet the financial requirements of the grant.

## VI. ESTABLISHING & MAINTAINING BUDGETS

A. Once grants have been accepted and/or acknowledged by the City Council, the Finance Department shall set up the appropriate accounting/budget requirements, which will allow the city department to properly manage grant funds. Special care must be taken in that each grant has its own specific terms and conditions of expending funds.

B. Expenditure and revenue reports shall be monitored by the Project Manager and Finance Department on a monthly basis for problems or errors. Necessary adjustments to the accounting system should be made at that time by the appropriate personnel.

## VII. PAYMENT AUTHORIZATIONS

A. All expensed funds, to include invoices, travel requests, purchase requests, etc., will be reviewed by the Project Manager to ensure that the appropriate line items are utilized according to grant application budget.

B. The Finance Department shall have exclusive authority to deposit all grant funding received into appropriate accounts designated by Finance Department personnel.

C. The Finance Department shall ensure that appropriate accounting measures are met to provide payments for each expense within the grant process and according to the city's Purchasing Policy.

D. The Finance Department will assign general ledger numbers to segregate revenues and expenses unique to each project and budget category.

E. As deemed necessary, the Finance Department shall produce monthly accounting reports in accordance with grant requirements.

F. The Finance Department shall have exclusive authority to schedule, attend and monitor outside auditing of grant funds. All appropriate financial documents will be produced by finance department for audits.

**VIII. GRANT REIMBURSEMENT**

Grant funds cannot be obligated before the beginning or after the end of the grant period. Furthermore, each granting authority will provide specific requirements for the entity requesting reimbursement of funds. However, in an effort to ensure funds are reimbursed and received in a timely manner, please note the items below in reference to the following areas:

A. Travel Costs

1) Reimbursement is based on a cost for reasonable and allowable expenditures. Special attention should be made to the terms and conditions of your grant. Travel expenses to include mileage, per diem and lodging must comply with state and Internal Revenue Service (IRS) travel requirements, unless otherwise stated in your grant requirements.

2) Should travel be required for training, proof of attendance and/or training certificates must be maintained.

3) Records and supporting data must be documented for travel expenditures.

B. Salaries

1) Contact the Finance Department in order to calculate appropriate salary and/or benefits for the grant budget.

2) Maintain accurate record of timecards, including name of personnel, hours worked, assignments processed and signature of personnel and supervisor for each grant funding expended.

3) Maintain accurate records for volunteers, including name of volunteer, hours worked, assignments processed and signature of volunteer and supervisor for each grant project.

4) Maintain log of daily activities performed for all hours worked.

5) Clear distinction must be made for all personnel to accurately differentiate between time spent on grant activities and time spent on other activities.

6) Overtime compensation to any personnel must be budgeted and/or approved prior to payment.

C. Purchasing

1) While each grant may have specific guidelines, any and all purchases must also comply with the city's Purchasing Policy.

2) An inventory of all items purchased through external funding must be updated and maintained by the Finance Department, with particular attention paid to the categorization of fixed assets.

**IX. GRANT REPORTING**

A. Project Managers must report their progress in meeting goals, objectives and measures stated in their application. These progress reports are used to comply with local, state and federal requirements.

B. Each grant will outline the necessary reporting requirements. The Project Manager will take every precaution to meet these deadlines.

C. The Project Manager will prepare and provide the necessary reports to each department in order to obtain the appropriate information and signatures as required by the grant.

**X. GRANT CLOSING**

A. Closure is initiated by the Project Manager as outlined by the grant. The following steps shall be monitored by the Project Manager:

1) Ensure that all grant funds have been properly recorded and a final Financial Status Report submitted.

2) Ensure that all grant funds have been properly recorded and any other reports submitted as required.

3) Demonstrate that all budgeted expenditures have been captured and grant funds have been used appropriately.

4) Ensure that the grantor has accepted all required reports. This includes completion of final expenditure report and inventory reports for any equipment

purchased with grant funds. The inventory total must equal the total equipment as reported on the final expenditure report. Any unused funds disbursed from the grantor agency must be returned with the final report.

5) All expenditure reports for the granting agency have been reconciled to the city's accounting system.

6) Request disposition of equipment purchased with grant funds, following grant requirements and city's disposition policy.

B. Once these items are complete, the Project Manager should notify the Finance Department that the grant should be closed within the city's accounting system. It is also the Finance Department's responsibility to closely monitor the overall status of all grants and work with each city department to ensure appropriate closure.

## XI. RECORDKEEPING

A. Each department must maintain all grant records, supporting documents, statistical records, and all other records pertinent to your grant for at least three (3) years following the closure of the most recent audit report or submission of the final expenditure if the audit report requirement has been waived. Records should be retained in their original format.

B. While each department is responsible for maintaining the aforementioned items, the Finance Department will maintain any and all grant documents related to the reimbursement of funds, as well as other basic documentation for auditing purposes (e.g., copy of grant application, award letter, other supporting documentation, etc.).

C. If any litigation, claim, negotiation, audit, or other action involving grant records has been stared before the expiration of three years, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three (3) year period, whichever is later.

D. Grantors may require retention periods in excess of three (3) years. Departments must ensure they comply with retention requirements specified by each grantor.

E. Retention requirements extend to books of original entry, source documents supporting accounting transactions, the general ledger, subsidiary ledgers, personnel and payroll records, cancelled checks, and related documents and records.

## ~~XII. ANNUAL REVIEW~~

~~It is recommended that the Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.~~

**RESOLUTION NO. ______**

**A RESOLUTION ADOPTING AN AMENDED CITY OF KENNEDALE GRANT SUBMISSION AND ACCEPTANCE POLICY**

**WHEREAS**, on March 11, 2010, City Council adopted the document entitled, "Grant Submission & Acceptance Policy," which establishes standard practices and procedures to create uniformity, economy, efficiency and effectiveness in the proper management and accounting of such grants, and

**WHEREAS**, the City Council has reviewed the City's Grant Submission & Acceptance Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

The City Council of the City of Kennedale, Texas hereby approves the amended Grant Submission and Acceptance Policy dated June 18, 2018, attached hereto as "Exhibit A."

**PASSED, ADOPTED AND APPROVED** by the City Council of the City of Kennedale, Texas, this the 18th day of June, 2018.

APPROVED:

_________________________
Mayor, Brian Johnson

ATTEST:

_____________________________
City Secretary, Leslie Galloway

## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - K.

**I. Subject:**
Consider Resolution 531 adopting an amended City of Kennedale Identity Theft Prevention Program Policy

**II. Originated by:**

Finance Director

**III. Summary:**
Most cities that operate a utility system are affected by the Federal Trade Commission (FTC) rules on identity theft "red flags" (i.e., warning signs) that require any business with a "covered account" to adopt and implement an identity theft program. A covered account is one where an entity provides a service or good before the consumer pays for it.

A city with such accounts must adopt and implement a written program that: (1) identifies relevant identity theft "red flags" to the utility or other covered entity; (2) provides for detection of those red flags; (3) provides for appropriate responses to any red flags that are detected; and (4) ensures that the program is updated periodically to address changing risks.

Red flags may include unusual account activity, altered identity documents that are used to apply for an account, and a variety of other signs. Appropriate action in response to a red flag might include, among other actions, verification of personal information, contacting the customer, or other action that would prevent identity theft.

**The recommended changes to this policy are:**

<u>All Policies Except Investment</u>

We removed requirement to approve annually. The annual requirement to recommend changes to existing policies is an unnecessary burden upon staff time. We will continue to review the policies annually and recommend changes if appropriate. The annual review of the investment policy is a state requirement.

<u>Financial Management Policy</u>

We deleted the Fund Balance and the Cash Management sections because we have separate policy documents covering both of those items. Instead of having similar information in two different places, we believe it best to have the Fund Balance Policy and the Internal Controls & Cash Handling Policies be the one-stop shop for those items. We did not want there to be an instance where one policy gets amended when the other does not--if that happens, we could end up with conflicting policy documents.

Fraud Policy

We created a hierarchical list in case top management is the target of suspected fraud. We wanted to provide staff with clear direction to report if they are aware of any irregularities.

Fund Balance Policy

We extended the 18% minimum requirement to all operating funds to be in line with the spirit of the policy.

Grant  Submission Policy

We added language asking staff to factor in reporting costs when considering grant applications.

Internal Controls and Cash Handling Policy

Upon recommendation from an outside source, added greater segregation of duties and clarified the cash handling policy to allow greater protection for city employees and city funds.

Investment Policy

We updated the policy with recent changes to state law regarding training requirements. In addition, allowed for slightly more aggressive investment of city cash.

Procurement Card Program Policy

We added language allowing us to switch vendors if it benefits the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 201806 Identity Theft Prevention Program Policy | 201806 Identity Theft Prevention Program Policy.pdf |
| 2. | Resolution | Resolution.doc |

# CITY OF KENNEDALE

KENNEDALE
Finance Department

# IDENTITY THEFT PREVENTION PROGRAM POLICY

**ORIGINALLY ADOPTED BY CITY COUNCIL: NOVEMBER 13, 2008**

## PREFACE

The Federal Trade Commission (FTC) recently adopted rules on identity theft “red flags” (i.e., warning signs) pursuant to the Fair and Accurate Credit Transactions (FACT) Act of 2003. The new rules, which mandate action by November 1, 2008 (recently extended to May 1, 2009), require any business with a “covered account” to adopt and implement an identity theft program. Most cities that operate a municipal utility will be affected by these new rules.

A covered account is one where an entity (such as a municipal utility) provides a service or good before the consumer pays for it. For example, most municipal water utilities provide water to the customer, then the utility bills the customer later based on consumption.

A city with such accounts must adopt and implement a written program that: (1) identifies relevant identity theft “red flags” to the utility or other covered entity; (2) provides for detection of those red flags; (3) provides for appropriate responses to any red flags that are detected; and (4) ensures that the program is updated periodically to address changing risks.

Red flags may include unusual account activity, altered identity documents that are used to apply for an account, and a variety of other signs. Appropriate action in response to a red flag might include, among other actions, verification of personal information, contacting the customer, or other action that would prevent identity theft.

~~It is our intent to bring forth this ITPP to Council for review at least annually. In order to demonstrate that review, it will be custom practice for the governing board of a municipality to adopt a resolution to make the review an official public record.~~

## SUBSEQUENT REVIEW & ADOPTION

NOVEMBER 5, 2009
OCTOBER 14, 2010
OCTOBER 13, 2011
OCTOBER 3, 2012
OCTOBER 1, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015
OCTOBER 17, 2016
JUNE 18, 2018

## I. PROGRAM ADOPTION

The City of Kennedale ("City") developed this Identity Theft Prevention Program ("Program") pursuant to the Federal Trade Commission's Red Flags Rule (“Rule”), which implements Section 114 of the Fair and Accurate Credit Transactions Act of 2003. 16 C. F. R. § 681.2. This Program was developed for the Utility Department of the City (“Utility”) with oversight and approval of the City Council. After consideration of the size and complexity of the Utility's operations and account systems, and the nature and scope of the Utility's activities, the City Council determined that this Program was appropriate for the City’s Utility, and therefore approved this Program on November 13, 2008.

## II. PURPOSE AND DEFINITIONS

A. Establish an Identity Theft Prevention Program

To establish an Identity Theft Prevention Program designed to detect, prevent and mitigate identity theft in connection with the opening of a covered account or an existing covered account and to provide for continued administration of the Program in compliance with Part 681 of Title 16 of the Code of Federal Regulations implementing Sections 114 and 315 of the Fair and Accurate Credit Transactions Act (FACTA) of 2003

B. Establishing and Fulfilling Requirements of the Red Flags Rule

The Red Flags Rule (“Rule”) defines “Identity Theft” as “fraud committed using the identifying information of another person” and a “Red Flag” (“Red Flag”) as a pattern, practice, or specific activity that indicates the possible existence of Identity Theft.

Under the Rule, every financial institution and creditor is required to establish an “Identity Theft Prevention Program” tailored to its size, complexity and the nature of its operation. The Program must contain reasonable policies and procedures to:

1) Identify relevant Red Flags for new and existing covered accounts and incorporate those Red Flags into the Program;
2) Detect Red Flags that have been incorporated into the Program;
3) Respond appropriately to any Red Flags that are detected to prevent and mitigate Identity Theft; and
4) Ensure the Program is updated periodically, to reflect changes in risks to customers or to the safety and soundness of the creditor from Identity Theft.

C. Red Flags Rule Definitions Used In This Program

1) City: The City of Kennedale, Texas.
2) Covered Account: Under the Rule, a “covered account” is:

a) Any account the Utility offers or maintains primarily for personal, family or household purposes, that involves multiple payments or transactions; or

b) Any other account the Utility offers or maintains for which there is a reasonably foreseeable risk to customers or to the safety and soundness of the Utility from Identity Theft.

3) Creditors: The Rule defines creditors "to include finance companies, automobile dealers, mortgage brokers, utility companies, and telecommunications companies. Where non-profit and government entities defer payment for goods or services, they, too, are to be considered creditors."

4) Identifying Information is defined under the Rule as "any name or number that may be used, alone or in conjunction with any other information, to identify a specific person," including: name, address, telephone number, social security number, date of birth, government issued driver's license or identification number, alien registration number, government passport number, employer or taxpayer identification number, unique electronic identification number, computer's Internet Protocol address, or routing code.

5) Program: The Identity Theft Prevention Program for the City.

6) Program Administrator: The Director of Finance is the Program Administrator for the Program.

7) Utility: The Utility is the Utility Department for the City.

## III. IDENTIFICATION OF RED FLAGS

In order to identify relevant Red Flags, the Utility considers the types of accounts that it offers and maintains, the methods it provides to open its accounts, the methods it provides to access its accounts, and its previous experiences with Identity Theft. The Utility identifies the following red flags, in each of the listed categories:

A. Notifications and Warnings From Consumer Credit Reporting Agencies

1) Red Flags

a) Report of fraud accompanying a consumer credit report;

b) Notice or report from a consumer credit agency of a credit freeze on a customer or applicant;

c) Notice or report from a consumer credit agency of an active duty alert for an applicant; and

d) Indication from a consumer credit report of activity that is inconsistent with a customer's usual pattern or activity, including but not limited to:

- Recent and significant increase in volume of inquiries
- Unusual number of recent credit applications
- A material change in use of credit
- Accounts closed for cause or abuse

B. Suspicious Documents

1) Red Flags

a) Identification document or card that appears to be forged, altered or inauthentic;
b) Identification document or card on which a person's photograph or physical description is not consistent with the person presenting the document;
c) Other document with information that is not consistent with existing customer information (such as if a person's signature on a check appears forged); and
d) Application for service that appears to have been altered or forged.

C. Suspicious Personal Identifying Information

1) Red Flags

a) Identifying information presented that is inconsistent with other information the customer provides (example: inconsistent birth dates, lack of correlation between Social Security number range and date of birth);
b) Identifying information presented that is inconsistent with other sources of information (for instance, Social Security number or an address not matching an address on a credit report);
c) Identifying information presented that is the same as information shown on other applications that were found to be fraudulent;
d) Identifying information presented that is consistent with fraudulent activity (such as an invalid phone number or fictitious billing address);
e) Social Security number presented that is the same as one given by another customer;
f) An address or phone number presented that is the same as that of another person;
g) A person fails to provide complete personal identifying information on an application when reminded to do so (however, by law social security numbers must not be required) or an applicant cannot provide information requested beyond what could commonly be found in a purse or wallet; and
h) A person's identifying information is not consistent with the information that is on file for the customer.

D. Suspicious Account Activity or Unusual Use of Account

1) Red Flags

a) Change of address for an account followed by a request to change the account holder's name;
b) Payments stop on an otherwise consistently up-to-date account;
c) Account used in a way that is not consistent with prior use (example: very high activity);
d) Mail sent to the account holder is repeatedly returned as undeliverable;
e) Notice to the Utility that a customer is not receiving mail sent by the Utility;
f) Notice to the Utility that an account has unauthorized activity;
g) Breach in the Utility's computer system security; and
h) Unauthorized access to or use of customer account information.

E. Alerts from Others

1) Red Flag

a) Notice to the Utility from a customer, identity theft victim, fraud detection service, law enforcement or other person that it has opened or is maintaining a fraudulent account for a person engaged in Identity Theft.

## IV. DETECTING RED FLAGS

A. New Accounts

In order to detect any of the Red Flags identified above associated with the opening of a new account, Utility personnel will take the following steps to obtain and verify the identity of the person opening the account:

1) Detect

a) Require certain identifying information such as name, date of birth, residential or business address, principal place of business for an entity, driver's license or other identification;
b) Verify the customer's identity (for instance, review a driver's license or other identification card);
c) Review documentation showing the existence of a business entity;
d) Request additional documentation to establish identity; and
e) Independently contact the customer or business.

B. Existing Accounts

In order to detect any of the Red Flags identified above for an existing account, Utility personnel will take the following steps to monitor transactions with an account:

2) Detect

a) Verify the identification of customers if they request information (in person, via telephone, via facsimile, via email);
b) Verify the validity of requests to close accounts or change billing addresses; and
c) Verify changes in banking information given for billing and payment purposes.

## V. PREVENTING AND MITIGATING IDENTITY THEFT

In the event Utility personnel detect any identified Red Flags, such personnel shall take one or more of the following steps, depending on the degree of risk posed by the Red Flag:

A. Prevent and Mitigate

1) Continue to monitor an account for evidence of Identity Theft;
2) Contact the customer, sometimes through multiple methods;
3) Change any passwords or other security devices that permit access to accounts;
4) Not open a new account;
5) Close an existing account;
6) Do not close the account, but monitor or contact authorities;
7) Reopen an account with a new number;
8) Notify the Program Administrator for determination of the appropriate step(s) to take;
9) Notify law enforcement; or
10) Determine that no response is warranted under the particular circumstances.

B. Protect Customer Identifying Information

In order to further prevent the likelihood of identity theft occurring with respect to Utility accounts, the Utility will take the following steps with respect to its internal operating procedures to protect customer identifying information:

1) Ensure that its website is secure or provide clear notice that the website is not secure;
2) Where and when allowed, ensure complete and secure destruction of paper documents and computer files containing customer information;

3) Ensure that office computers are password protected and that computer screens lock after a set period of time;
4) Change passwords on office computers on a regular basis;
5) Ensure all computers are backed up properly and any backup information is secured;
6) Keep offices clear of papers containing customer information;
7) Request only the last 4 digits of social security numbers (if any);
8) Ensure computer virus protection is up to date; and
9) Require and keep only the kinds of customer information that are necessary for utility purposes.

## VI. PROGRAM UPDATES

This Program will be periodically reviewed and updated to reflect changes in risks to customers and the soundness of the Utility from Identity Theft. ~~At least annually,~~ Periodically, the Program Administrator will consider the Utility's experiences with Identity Theft situation, changes in Identity Theft methods, changes in Identity Theft detection and prevention methods, changes in types of accounts the Utility maintains and changes in the Utility's business arrangements with other entities, consult with law enforcement authorities, and consult with other City personnel. After considering these factors, the Program Administrator will determine whether changes to the Program, including the listing of Red Flags, are warranted. If warranted, the Program Administrator will update the Program or present the City Council with his or her recommended changes and the City Council will make a determination of whether to accept, modify or reject those changes to the Program.

## VII. PROGRAM ADMINISTRATION

A. Oversight

Responsibility for developing, implementing and updating this Program lies with an Identity Theft Committee for the Utility. The Committee is headed by a Program Administrator who may be the head of the Utility or his or her appointee. Two or more other individuals appointed by the head of the Utility or the Program Administrator comprise the remainder of the committee membership. The Program Administrator will be responsible for the Program administration, for ensuring appropriate training of Utility staff on the Program, for reviewing any staff reports regarding the detection of Red Flags and the steps for preventing and mitigating Identity Theft, determining which steps of prevention and mitigation should be taken in particular circumstances and considering periodic changes to the Program.

B. Staff Training and Reports

Initially, all Utility staff shall be trained either by or under the direction of the Program Administrator in the detection of Red Flags, and the responsive steps to be taken when a Red Flag is detected. Thereafter, all Utility staff shall undergo update training not less than annually. Additionally, all new Utility employees shall undergo training.

All Utility staff shall submit reports as needed concerning the Utility's compliance with the program, the training that has been given and the effectiveness of the policies and procedures in addressing the risk of Identity Theft, including recommendations for changes to the Program. While incidents of Identity Theft are to be reported immediately to the Program Administrator, the reports shall contain a recap of the incident and include the steps taken to assist with resolution of the incident.

C. Service Provider Arrangements

In the event the Utility engages a service provider to perform an activity in connection with one or more accounts, including but not limited to franchise utility providers, the Utility will take the following steps to ensure the service provider performs its activity in accordance with reasonable policies and procedures designed to detect, prevent, and mitigate the risk of Identity Theft.

1) Require, by contract or contract amendment, that service providers have such policies and procedures in place; and
2) Require, by contract or contract amendment, that service providers review the Utility's Program and report any Red Flags to the Program Administrator.

D. Specific Program Elements and Confidentiality

For the effectiveness of Identity Theft prevention Programs, the Red Flag Rule envisions a degree of confidentiality regarding the Utility's specific practices relating to Identity Theft detection, prevention and mitigation. Therefore, under this Program, knowledge of such specific practices is to be limited to the Identity Theft Committee and those employees who need to know them for purposes of preventing Identity Theft. Because this Program is to be adopted by a public body and thus publicly available, it would be counterproductive to list these specific practices here. Therefore, only the Program's general red flag detection, implementation and prevention practices are listed in this document.

## ~~VIII. ANNUAL REVIEW~~

~~It is recommended that the Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.~~

**RESOLUTION NO. _____**

**A RESOLUTION ADOPTING AN AMENDED CITY OF KENNEDALE IDENTITY THEFT PREVENTION PROGRAM (ITPP) POLICY**

**WHEREAS,** on November 13, 2008, City Council adopted the document entitled, "Identity Theft Prevention Program Policy," the Fair and Accurate Credit Transactions Act of 2003, Pub. L. 108-159, ("Red Flags Rule") requires certain financial institutions and creditors with "covered accounts" to prepare, adopt, and implement an identity theft prevention program to identify, detect, respond to and mitigate patterns, practices or specific activities which could indicate identity theft; and

**WHEREAS**, the City of Kennedale maintains certain continuing accounts with utility service customers and for other purposes which involve multiple payments or transactions, and such accounts are "covered accounts" within the meaning of the Red Flags Rule; and

**WHEREAS**, the City Council has reviewed the City's Identity Theft Prevention Program Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

The City Council of the City of Kennedale, Texas hereby approves the amended Identify Theft Prevention Program Policy dated June 18, 2018, attached hereto as "Exhibit A."

**PASSED, ADOPTED AND APPROVED** by the City Council of the City of Kennedale, Texas, this the 18th day of June, 2018.

APPROVED:

__________________________
Mayor, Brian Johnson

ATTEST:

______________________________
City Secretary, Leslie Galloway

## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - L.

**I. Subject:**
Consider Resolution 532 adopting an amended City of Kennedale Internal Controls & Cash Handling Policy

**II. Originated by:**

Finance Director

**III. Summary:**
The goal of the Internal Controls & Cash Handling Policy is to ensure adequate measures by effectively safeguarding, depositing and accounting for cash on behalf of the City and to maintain public trust. Additionally, this policy will provide guidance to departments on improving cash handling skills, and thus, limit not only the City's losses, but also the City's involvement in investigation of losses of funds.

**The recommended changes to this policy are:**

All Policies Except Investment

We removed requirement to approve annually. The annual requirement to recommend changes to existing policies is an unnecessary burden upon staff time. We will continue to review the policies annually and recommend changes if appropriate. The annual review of the investment policy is a state requirement.

Financial Management Policy

We deleted the Fund Balance and the Cash Management sections because we have separate policy documents covering both of those items. Instead of having similar information in two different places, we believe it best to have the Fund Balance Policy and the Internal Controls & Cash Handling Policies be the one-stop shop for those items. We did not want there to be an instance where one policy gets amended when the other does not--if that happens, we could end up with conflicting policy documents.

Fraud Policy

We created a hierarchical list in case top management is the target of suspected fraud. We wanted to provide staff with clear direction to report if they are aware of any irregularities.

Fund Balance Policy

We extended the 18% minimum requirement to all operating funds to be in line with the spirit of the policy.

Grant  Submission Policy

We added language asking staff to factor in reporting costs when considering grant applications.

Internal Controls and Cash Handling Policy

Upon recommendation from an outside source, added greater segregation of duties and clarified the cash handling policy to allow greater protection for city employees and city funds.

Investment Policy

We updated the policy with recent changes to state law regarding training requirements. In addition, allowed for slightly more aggressive investment of city cash.

Procurement Card Program Policy

We added language allowing us to switch vendors if it benefits the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 201806 Internal Controls & Cash Handling Policy | 201806 Internal Controls & Cash Handling Policy.pdf |
| 2. | Resolution | Resolution.doc |

# CITY OF KENNEDALE

KENNEDALE
Finance Department

# INTERNAL CONTROLS
# &
# CASH HANDLING POLICY

**ORIGINALLY ADOPTED BY CITY COUNCIL: NOVEMBER 17, 2011**

**PREFACE**

The intent of the City of Kennedale's Internal Controls & Cash Handling Policy is to provide management with reasonable, but not absolute, assurance that resources are being utilized and accounted for accurately, appropriately, consistently and completely. The reliability with which the city can place upon its financial records is further dependent upon the effectiveness of procedures and controls that must also ensure that transaction processes, in terms of cash, are not exposed to unauthorized access and use.

~~It is our intent to bring forth this policy to Council for review at least annually. In order to demonstrate that review, it will be custom practice for the governing board of a municipality to adopt a resolution to make the review an official public record.~~

**SUBSEQUENT REVIEW & ADOPTION**

OCTOBER 3, 2012
OCTOBER 1, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015
NOVEMBER 21, 2016
JUNE 18, 2018

## I. PURPOSE

The goal of this Internal Controls & Cash Handling Policy is to ensure adequate internal controls by effectively safeguarding, depositing, and accounting for Cash on behalf of the City of Kennedale and to maintain public trust. Additionally, this policy will provide guidance to departments on improving cash handler (hereby referred to as "cashier/custodian") skill and accountability, therefore limiting not only the City's losses, but also the City's involvement in investigations of losses of funds. The term "Cash" applies to currency, coin, check, money order, credit card, electronic funds, and other negotiable instruments payable in money to the City.

## II. ADMINISTRATIVE PROCEDURES

Enforcement of the cash management program is included but limited to the following:

A. A random drawer audit conducted under the direction of the Director of Finance.

B. Any deficiencies in regard to the set procedures will be reported to the Director of Finance and the City Manager in the form of a memorandum outlining the deficiencies.

C. The Director of Finance will notify the Department Head involved and explain these deficiencies, and the Department Head will be responsible for taking appropriate action to correct deficiencies.

D. If in a subsequent audit these deficiencies still exist, the Director of Finance will advise the Department Head that the deficiencies still exist.

E. The Director of Finance and the Department Head will notify the City Manager of the existing situation.

F. The City Manager will review the existing situation and may take appropriate action to resolve deficiencies and ensure that the procedures as outlined are administered properly.

## III. DELEGATION OF AUTHORITY

A. The Director of Finance is authorized to promulgate rules for establishing procedures for the receipt, handling and deposit by City officers and employees of City Cash into the City Treasury for: the method of documentation on all such transactions; regular reporting to the Director of Finance; certifying and rescinding certification by the Director of Finance of all City officers and employees who are authorized to receive or handle City monies in the regular course of their employment or departmental activities; inspection of departmental cash records, including overages or shortages; inspection of departmental practices and procedures in handling City Cash; and contracting with agents to collect City Cash and their collection procedures. The Director of Finance may enforce these rules through on-site inspections; by rescinding certification of any officer or employee who fails to comply with the Director of Finance's procedures and, in the event of noncompliance by a department or office, requiring that payments to personnel be authorized by the Director of Finance, or deposited at his/her office.

B. The Director of Finance, as the City's banker, is required by law to receive, retain, and disburse all City revenue and keep detailed records of these transactions. The Director of Finance is charged with the responsibility of overseeing the proper receipting and to safeguard all City funds.

C. **The Director of Finance is responsible for the administration of the cash management program; however, he/she may delegate applicable responsibilities as appropriate. For the purposes of this policy, the term "Finance Department" refers to the Account Payable Clerk. In the Account Payable Clerk's absence, Finance Department duties will be delegated to the Director of Finance and/or Accounting Technician.**

D. Through certification, the responsibility and accountability of the daily collection of funds is delegated to the cashier/custodians.

## IV. DUTIES OF CITY DEPARTMENT HEADS

The Director of any City department who anticipates receiving City Cash on a regular basis in the course of its activities shall:

A. Assign the receiving of City Cash only to those persons who are certified by the Director of Finance for performing these functions;

B. Collaborate with the Director of Finance to establish and maintain a system of procedures, documentation and reporting on receipts handling and deposit of City money;

C. Notify the Director of Finance and Police Department of any theft of City Cash **no later than twenty-four hours after discovery**.

D. Allow the Director of Finance or designee to make on-site inspections and observe the processing of City Cash, and to make inspections of departmental collection records.

## V. DUTIES OF CITY PERSONNEL

Any City officer or employee, who receives City Cash in the normal scope and course of his/her duties, shall:

A. Departments with tils and/or cash boxes will count their money and store in a secure place (preferably a safe)~~ and money will be given to the Finance Department by 9:00 a.m. the following day~~. Departments not utilizing tils and/or cash boxes will turn in the cash on the same day to the Utility Billing Administrator no later than 5:00 p.m. **Note:** Several departments, such as the Police, Animal Control and Library Department collect cash through their individual department, and then submit it through Utility Billing's Cash Receipts to be later deposited to the Finance Department.

B. Comply with rules promulgated by the Director of Finance for handling and processing of City Cash and for documentation and dissemination of records, and with departmental internal procedures, established in conformity with the Director of Finance procedures;

C. Notify the employee's Department Head and Director of Finance of any loss or theft of City money **no later than twenty-four hours after discovery;**

D. Be subject to disciplinary action, up to and including termination for failure to comply with each department's operating policies, Director of Finance's procedures and/or duties described in this policy.

## VI. STANDARD CASH HANDLING PROCEDURE

A. Daily, cash handlers will conduct a blind, double count of deposits. At least two people will count the deposits in front of each other, in view of a camera (if possible). The deposits will then be sealed in a bank bag, with the applicable count recorded on the bag. Cash handlers will pay particular note to ensure date, amount, and payee are appropriate for checks.

B. Once the deposit is secured in a bank bag, the cash handler will reconcile the amount to the prior day's activity. Any differences should be noted.

C. The bags should be secured in a safe place, preferably a safe, until a member of the police department is able to pick up the deposit and take it to the depository.

D. A form detailing the total deposited amount and the daily activity should be given to Utility Billing to enter into the ledger. The Finance Department will be provided a record of the initial deposit from the cash handler and the ledger entry made by Utility Billing.

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## VII. LIABILITY FOR LOSS

A. As between a department and its officers and the Director of Finance, 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 custodian certified by the Director of Finance.

B. Compliance with the procedures approved by the Director of Finance establishes a presumption that a City department or office exercised due care in its custody and care of City Cash.

## VIII. CERTIFICATION OF CASHIERS & CUSTODIANS

A. Only persons who are approved by the Director of Finance shall receive and handle City Cash on a regular basis in the scope and course of their employment. **A signed Certificate of Responsibility must be obtained from the cashier/custodian and supervisor verifying receipt of this policy.**

B. In addition, the Director of Finance **may** require that the cashier/custodian complete a certification or training and/or pass an examination on: the secure processing of moneys, cash procedures and applicable departmental rules, and thereafter take refresher instruction or training at periodic intervals or when the need arises.

## ~~VIII~~IX. ESTABLISHMENT/INCREASE OF CASH FUNDS

All requests for the establishment of cash funds must be made to the Director of Finance. The Director of Finance will maintain a complete listing of all cash funds. The department location, cashier/custodian and the amount of the cash fund are to be maintained upon this written listing.

A. An initial request for establishment or request for increase should be submitted to the Director of Finance for the amount of the funds requested.

B. No funds are to be established out of cash receipts by any department.

C. Upon establishment of a cash fund, a cashier/custodian should be appointed by the Director of Finance. Cash funds must have one cashier/custodian responsible for the disbursement of cash. In the absence of the cashier/custodian, a designated individual should make all disbursements from the cash fund. Should it become necessary to change cashier/custodians, the Department Head should notify the Director of Finance and request an audit of the cash fund to be performed prior to transferring the cash fund to the new cashier/custodian.

## ~~IX~~X. TERMINATION OF CASH FUNDS

A. The Department Head should notify the Director of Finance that the cash fund is to be closed and request that an audit be performed prior to closing the cash fund.

B. The Director of Finance will perform an audit of the cash fund. Any shortages or variances are to be investigated and resolved by the Department Head and the Director of Finance. **If the shortages or variances cannot be resolved, the Department Head is to provide a written explanation to the effect that a shortage or variance occurred, which he or she could not resolve, to the Director of Finance.**

C. Upon completion of the cash audit, the cashier/custodian should deposit any cash on hand with the Finance Department and provide a copy of the deposit slip to the Director of Finance with any outstanding vouchers.

D. The Director of Finance will provide the Finance Department with details of the expense accounts to be debited for preparation of a journal entry to close the cash fund. A copy of the details should also be attached to the journal entry as supporting documentation.

## XI. SECURITY OF CASH FUNDS

A. Cash funds are to be kept in locked boxes or drawers. The locked box is to be kept in a secure area, where only the designated cashier/custodian and the Department Head have keys and access to the funds.

B. Provisions should be made in departments where more than one cash fund exists to secure all funds which are not being utilized. Only the Department Head or his/her designated cashier/custodian should have access to an employee's cash fund in the event of their absence.

C. Only the person responsible for the cash fund and the Department Head should maintain keys and have access to the funds.

D. Bank bags must be ~~locked~~ secured and kept out of sight when transporting city funds for deposit to ~~the Finance Department or~~ Utility Billing Customer Service.

E. All funds must be reviewed randomly.

F. The use of surveillance cameras may be used to monitor city funds.

## XII. REGULATION OF PETTY CASH FUNDS

Petty cash funds are available for making emergency or immediate purchases of items that are not easily obtained through normal purchasing channel. Petty cash funds are to be maintained only for this purpose, and no department shall possess a petty cash fund without establishing such a fund as outlined Section VIII: Establishment/Increase of Cash Funds.

A. Maintenance of Petty Cash Funds

1) Cash funds must have one custodian responsible for the disbursement of cash. In the absence of the custodian, only the Department Head or his/her designated custodian should make all disbursements from the petty cash fund.

2) Each cash fund should have a set amount of funds to be accounted for. The Finance Department will not process payment authorizations to reimburse petty cash if the request exceeds the established amount of the petty cash fund.

**3) The petty cash fund is to be reconciled on a daily basis by the fund custodian.**

4) **The cash custodian should process a payment authorization to reimburse their petty cash fund as necessary.** The payment authorization requesting reimbursement of petty cash is to be processed with enough lead-time to prevent the remaining petty cash funds from being depleted prior to the issuance of the reimbursement check. All check payments to reimburse the petty cash fund are to made payable to the City of Kennedale.

5) A petty cash voucher must be completed to support all disbursements of cash from the petty cash fund. The petty cash voucher must be completed in its entirety and approved by the Department Head prior to the disbursement of any cash from the custodian.

6) Each petty cash voucher must be accompanied by a receipt ticket upon reimbursement or return of unused funds.

7) Three (3) signatures are required on all petty cash vouchers. All petty cash vouchers must be signed by the employee receiving the cash and by the Department Head approving the transaction. The petty cash custodian will then sign the voucher as cash is actually disbursed from the fund.

8) **Employees are not to be reimbursed for sales tax**. It is the responsibility of the Department Head to ensure that employees are aware of the City's exempt status.

9) Petty cash in advance is not to be held by any employee longer than a twenty-four period. Receipts and used funds must be returned and be reconciled to vouchers within the twenty-four hour period.

10) Expenditures for purchases made from the petty cash fund are not to exceed $100.00. Purchases that exceed $100.00 should be purchased through normal purchasing process.

B. Prohibited expenses include the following:

1) Loans to employees;

2) IOUs for employee personal use;

3) Cashing personal, payroll and expense checks for the Department Head, petty cash custodian, or any other employees or City official; and

4) Traveling or training expenses, such as use of personal vehicle, parking and entertainment (these expenditures should be reimbursed by submitting the proper expense report form to Finance Department).

C. Documents Which Serve as Support for Disbursement of Petty Cash

1) A cash register receipt, provided that the date is current enough to support said purchase;

2) Cash receipt tickets from the place of purchase provided that the date is current, items purchased are listed and the ticket is signed by the employee as receiving said merchandise;

3) Proof of purchase in the form of a valid receipt provided the date is current and the type of the purchase or expenditure can be easily determined;

4) No refunds for purchases will be made without proof of purchase;

5) A petty cash voucher properly completed with authorizations for a cash advance.

**XIII. REGULATION OF CHANGE FUNDS**

Changes funds, or cash drawers, are to be maintained for the purpose of making change. Change funds are not to be co-mingled with other cash funds. Change funds are to be maintained only for this purpose and no department shall possess a change fund without establishing such a fund with the Director of Finance.

A. Maintenance of a Change Fund

1) Each change fund should have one person responsible for that fund or drawer at any one given time. In the areas where more than one change fund is used, each employee should work out of his/her own change fund. Employees are not to work out of another employee's change fund.

2) Each change fund should be established for a set amount as outlined in this section, and this same amount should be maintained at all times. If an increase in a cash fund is needed, a request should be sent to the Director of Finance outlining the need and amount of funds requested is required.

3) **Change funds are not to be used as petty cash funds**. They are to be used only for making change.

4) Cash receipts are not to build up in a change fund. These receipts are to be removed and deposited as outlined in Section XIII: Regulation of Deposits.

5) Receipts for all cash should be utilized so that an audit may be done at any time and the amount of the change fund can be verified.

B. Cashing of Personal Checks from a Change Fund

1) Cashing of personal, payroll, and expense checks is strictly prohibited.

## X~~II~~IV. REGULATION OF DEPOSITS

The City of Kennedale collects cash through various departments in a decentralized manner; however, all cash is then turned in to ~~the Finance Department~~Utility Billing for deposit to the bank no later than ~~5~~2:00 p.m. on a daily basis. At no time shall cash be held. ~~Furthermore, all deposits must be verified by the Finance Department.~~ **Note:** Several departments, such as the Police, Animal Control and Library Department collect cash through their individual department, and then submit it through Utility Billing's Cash Receipts to be later deposited to the Finance Department.

A. Losses/Shortages/Overages

The Director of Finance makes a clear distinction between a "loss" and "shortage" of City money. This is determined by the cash handler's ability to obtain physical custody of the money and how that person safeguards the money. **Cashiers/custodians must report all losses to the Finance Department no later than twenty-four hours after discovery.**

1) A shortage is an unintentional collection error such as a change making error. An overage occurs when a cash handler has collected too much money and cannot immediately return the excess to a specific customer.

2) On the other hand, a loss of City money is when a cash handler has obtained physical custody of money and then due to reasons like negligence, an act of God or an unlawful action, cannot deposit that money with the City.

3) An example of negligence is leaving City money unattended and not properly safeguarding that money from loss.

4) The Finance Department can have cashiers/custodians repay a "shortage." Finance will verify that the repayment does not violate DOL wage guidelines.

5) Repeated issues with losses and shortages will result in disciplinary action based on the city's progressive disciplinary policy. The decision to issue employee discipline will be made after consideration of a variety of factors including, but not limited to the severity of the misconduct, the employee's past work performance and prior disciplinary history, the employee's length of service, and any mitigating circumstances.

## X~~I~~V. REGULATION OF RETURN CHECKS

A. All return checks will be charged a return check fee as determined by the City Council. The fee is applicable when a customer, taxpayer or employee check for payment of fees, fines, court costs, taxes, utilities or other charges has been dishonored by the maker's bank and returned to the City of Kennedale. The fee, plus the base amount of check, will be payable to the City by means of cash, money order or cashier's check.

B. If a customer, taxpayer or employee fails to honor the returned check within thirty days, the check will be turned over for collection or criminal sanctions, depending on which option is applicable.

## XVI. ACTION TAKEN IN EVENT OF THEFT

The danger of security and loss is a constant threat when handling money. Fund custodians are expected to safeguard City funds against loss. Custodians should be familiar with what to do in times of emergency. In these circumstances, **protecting human life should be the first concern.** Thefts are to be reported and handled in compliance with the City of Kennedale's Fraud Policy. Following the complete investigation performed in accordance with the Fraud Policy, the Director of Finance will conduct a review of the cash handling procedures and related internal controls and issue a report of his/her conclusions on improvements to cash handling procedures. The report will be discussed for implementation with the related department head in an effort to prevent future thefts from occurring.

## ~~XVI. ANNUAL REVIEW~~

~~The Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.~~

**CITY OF KENNEDALE**

CASH HANDLING CERTIFICATE OF RESPONSIBILITY

(Appendix A)

I have read and understand the City of Kennedale Internal Controls & Cash Handling Policy. A copy of the Internal Controls & Cash Handling Policy has been provided to me. I agree to be held responsible and accountable for the handling of City funds according to the City of Kennedale's Internal Controls & Cash Handling Policy for the following purpose(s):

*Please Initial*

_______ Cash Drawer/Change Fund
_______ Petty Cash Fund
_______ Other

I have also been informed and understand that surveillance camera equipment and other devices may be used to monitor City funds.

By signing below, I acknowledge that I have read and agree to the terms and conditions of this document, as well as the City of Kennedale's Internal Controls & Cash Handling Policy.

Training/Exam Date (If Applicable): ________________

Employee Name: ________________________________________________
Employee Signature: _______________________________________________
Date: ________________

Department Head Name: ________________________________________________
Department Head Signature: _______________________________________________
Date: ________________

Director of Finance Name: ________________________________________________
Director of Finance Signature: _______________________________________________
Date: ________________

**RESOLUTION NO. ____**

**A RESOLUTION ADOPTING AN AMENDED CITY OF KENNEDALE INTERNAL CONTROLS & CASH HANDLING POLICY**

**WHEREAS,** on November 17, 2011, City Council adopted the document entitled, "Internal Controls & Cash Handling Policy" a framework setting forth procedures that govern the handling, deposit and safekeeping of City Cash; and

**WHEREAS**, the term "City Cash" applies to currency, coin, checks, money orders, credit, charge and debit card payments, other electronic payment media and other negotiable instruments payable in money to the City; and

**WHEREAS**, this policy establishes best practices and standards that can be applied across all City department that have the potential to handle cash; and

**WHEREAS**, employees that have been authorized to receive City Cash share the stewardship of financial assets for the City across departmental divisions; and

**WHEREAS**, the policy ensures that City Cash is accounted for and available for investment or an authorized expenditure; and

**WHEREAS**, the City Council has reviewed the City's Internal Controls & Cash Handling Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

The City Council of the City of Kennedale, Texas hereby approves the Internal Controls & Cash Handling Policy dated June 18, 2018, attached hereto as "Exhibit A."

**PASSED, ADOPTED AND APPROVED** by the City Council of the City of Kennedale, Texas, this the 18th day of June, 2018.

| | |
|---|---|
| ATTEST: | APPROVED: |
| ____________________________ | ____________________________ |
| City Secretary, Leslie Galloway | Mayor, Brian Johnson |

## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - M.

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**I. Subject:**
Consider Resolution 533 adopting an amended City of Kennedale Investment Policy

**II. Originated by:**

Finance Director

**III. Summary:**
State and local public laws govern the investment process for City funds. Laws cannot ensure that public officials manage public funds in a disciplined and prudent manner. The actions of public officials responsible for investing public funds must be guided by knowledge, skills, systems, policies, procedures and confidence that can be described only as professional discipline.

It is the policy of the City of Kennedale, that giving due regard to safety and risk of investments, all available funds shall be invested in conformance with these legal and administrative guidelines. All City funds shall be invested, to the maximum extent possible, at the highest rates obtainable at the time of the investment. Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued. To that end, investment interest will be used as a viable and material revenue source for all City funds. Earnings from investments will be used in a manner that will best serve the interest of the City of Kennedale.

The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

State law (Government Code, Chapter 2256: Public Funds Investment Act) requires that the City Council review the Investment Policy at least annually.

**The recommended changes to this policy are:**

<u>All Policies Except Investment</u>

We removed requirement to approve annually. The annual requirement to recommend changes to existing policies is an unnecessary burden upon staff time. We will continue to review the policies annually and recommend changes if appropriate. The annual review of the investment policy is a state requirement.

<u>Financial Management Policy</u>

We deleted the Fund Balance and the Cash Management sections because we have separate policy documents covering both of those items. Instead of having similar information in two different places, we believe it best to have the Fund Balance Policy and the Internal Controls & Cash Handling Policies be the one-stop shop for those items. We did not want there to be an instance where one policy gets amended when the other does not--if that happens, we could end up with conflicting policy documents.

Fraud Policy

We created a hierarchical list in case top management is the target of suspected fraud. We wanted to provide staff with clear direction to report if they are aware of any irregularities.

Fund Balance Policy

We extended the 18% minimum requirement to all operating funds to be in line with the spirit of the policy.

Grant  Submission Policy

We added language asking staff to factor in reporting costs when considering grant applications.

Internal Controls and Cash Handling Policy

Upon recommendation from an outside source, added greater segregation of duties and clarified the cash handling policy to allow greater protection for city employees and city funds.

Investment Policy

We updated the policy with recent changes to state law regarding training requirements. In addition, allowed for slightly more aggressive investment of city cash.

Procurement Card Program Policy

We added language allowing us to switch vendors if it benefits the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 201806 Investment Policy | 201806 Investment Policy.pdf |
| 2. | Resolution | Resolution.doc |

# CITY OF KENNEDALE

KENNEDALE
Finance Department

# INVESTMENT POLICY

**ORIGINALLY ADOPTED BY CITY COUNCIL: SEPTEMBER 13, 2001**

## PREFACE

State and local public laws govern the investment process for City funds. Laws cannot ensure that public officials manage public funds in a disciplined and prudent manner. The actions of public officials responsible for investing public funds must be guided by knowledge, skills, systems, policies, procedures and confidence that can be described only as professional discipline.

It is the policy of the City of Kennedale, that giving due regard to safety and risk of investments, all available funds shall be invested in conformance with these legal and administrative guidelines. All City funds shall be invested, to the maximum extent possible, at the highest rates obtainable at the time of the investment.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued. To that end, investment interest will be used as a viable and material revenue source for all City funds. Earnings from investments will be used in a manner that will best serve the interest of the City of Kennedale.

The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

## SUBSEQUENT REVIEW & ADOPTION

SEPTEMBER 12, 2002
OCTOBER 9, 2003
SEPTEMBER 9, 2004
SEPTEMBER 13, 2005
SEPTEMBER 14, 2006
SEPTEMBER 13, 2007
NOVEMBER 13, 2008
NOVEMBER 5, 2009
NOVEMBER 17, 2011
OCTOBER 3, 2012
OCTOBER 1, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015
OCTOBER 17, 2016
JUNE 18, 2018

## I. PURPOSE

Chapter 2256 of the Government Code, as amended from time to time by the Texas State Legislature ("Public Funds Investment Act") requires each city to adopt rules governing its investment practices and to define the authority of the investment official. The Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and prudent fiscal management of the City of Kennedale funds.

## II. SCOPE

The Investment Policy applies to the investment and management of all funds under direct authority of the City of Kennedale.

A. These funds are accounted for in the City's Annual Financial Report (CAFR) and include the following:

1) General Fund;

2) Special Revenue Funds;

3) Capital Project Funds;

4) Enterprise/Proprietary Funds;

5) Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately;

6) Debt Service Funds, including reserves and sinking funds to the extent not required by law or existing contract to be kept segregated and managed separately; and

7) Any new fund created by the City, unless specifically exempted from this policy by the City or by law.

This investment policy shall apply to all transactions involving the financial assets and related activity of all the foregoing funds.

B. This policy excludes:

1) Employee Retirement and Pension Funds administered or sponsored by the City.

2) Defeased bond funds held in trust escrow accounts.

C. Review & Amendment: The City Council is required by state statute and by this investment policy to review this investment policy and investment strategies not less than annually and to adopt a resolution stating the review has been completed and recording any changes made to either the policy or strategy statements.

## III. PRUDENCE

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

In determining whether an investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and

2) whether the investment decision was consistent with the written investment policy of the City.

All participants in the investment program will seek to act responsibly as custodians of the public trust. Investment officials will avoid any transaction that might impair public confidence in the City's ability to govern effectively. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism which is worthy of the public trust. Nevertheless, the City recognizes that in a marketable, diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment rate of return.

Investment officials, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for market price changes, provided that these deviations from expectations are reported immediately to the Director of Finance, the City Manager and the City Council of the City of Kennedale, and that appropriate action is taken by the investment officials and their oversight managers to control adverse developments.

## IV. OBJECTIVES

A. Preservation & Safety of Principal: Preservation of capital is the foremost objective of the City. Each investment transaction shall seek first to ensure that capital losses are avoided, whether the loss occurs from the default of a security or from erosion of market value.

B. Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which can be reasonably anticipated. Liquidity will be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets.

C. Yield: The investment portfolio of the City shall be designed to meet or exceed the average rate of return on 91-day U.S. treasury bills throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio. Legal constraints on debt proceeds that are not exempt from federal arbitrage regulations are limited to the arbitrage yield of the debt obligation. Investment officials will seek to maximize the yield of these funds in the same manner as all other City funds. However, if the yield achieved by the City is higher than the arbitrage yield, positive arbitrage income will be averaged over a five year period, netted against any negative arbitrage income and the net amount shall be rebated to the federal government as required by federal regulations.

## V. RESPONSIBILITY & CONTROL

A. Delegation: Management responsibility to establish written procedures for the operation of the investment program consistent with this investment policy has been assigned to the Director of Finance by the City Manager. Such procedures shall include explicit delegation of authority to persons responsible for the daily cash management operation, the execution of investment transactions, overall portfolio management and investment reporting. The Director of Finance may delegate the daily investment responsibilities to either an internal investment official or an external investment advisor in combination with an internal investment official. The Director of Finance and/or his representative(s) will be limited by conformance with all federal regulations, ordinances, and the statements of investment strategy.

B. Subordinates: All persons involved in investment activities shall be referred to as "Investment Officials." No person shall engage in an investment transaction, except as provided under the terms of this policy, the procedures established by the Director of Finance and the explicit authorization by the City Manager to withdraw, transfer, deposit and invest the City's funds. The Director of Finance shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate Investment Officials.

C. Internal Controls: Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by investment officials. Controls deemed most important would include: control of collusion, separation of duties, third-party custodial safekeeping, avoidance of bearer-form securities, clear delegation of authority, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, and documentation of and rationale for investment transactions.

In conjunction with the annual independent audit, a compliance audit of management controls on investments and adherence to the Investment Policy and the Investment Strategy may be performed by the City's independent auditor.

D. Ethics & Conflicts of Interest: An investment officer of the City who has a personal business relationship with a business organization offering to engage in an investment transaction with the City shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement disclosing that relationship with the Texas Ethics Commission and the City Council. For purposes of this section, an investment officer has a personal business relationship with a business organization if:

1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns $5,000 or more of the fair market value of the business organization;

2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

3) the investment officer has acquired from the business organization during the previous year investments with a book value of $2,500 or more for the personal account of the investment officer.

Investment officials of the City shall refrain from personal and business activities involving any of the City's custodians, depositories, broker/dealers or investment advisors which may influence the officer's ability to conduct his duties in an unbiased manner. Investment officials will not utilize investment advice concerning specific securities or classes of securities obtained in the transaction of the City's business for personal investment decisions, will in all respects subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchase and sales and will keep all investment advice obtained on behalf of the City and all transactions contemplated and completed by the City confidential, except when disclosure is required by law.

E. Investment Training Requirements: The Director of Finance and the Investment officials shall attend at least one ten hour training session relating to their investment responsibilities within 12 months after assuming their duties. In addition to this ten hour requirement, each investment officer shall receive not less than ~~ten~~ eight hours of instruction in their investment responsibilities at least once during each two year period that begins on October 1st and consists of the two consecutive fiscal years after that date. The investment training session shall be provided by an independent source. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institute of higher learning or any other sponsor other than a Business Organization with whom the City of Kennedale may engage in an investment transaction. Such training shall include education in investment controls, credit risk, market risk, investment strategies, and compliance with investment laws, including the Texas State Public Funds Investment Act.

## VI. AUTHORIZED INVESTMENTS

A. Obligations, including letters of credit, of the United States or its agencies and instrumentalities.

B. Direct obligations of the State of Texas or its agencies and instrumentalities.

C. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, the State of Texas, or the United States or its instrumentalities.

D. Obligations of states, agencies, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent.

E. Joint Investment Pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

F. Certificates of Deposit issued by a depository institution that has its main office or branch office in Texas;

1) and such Certificates of Deposit are:

- guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their successors; or

- secured by obligations described in Article VI, sections A through D above.

2) or such depository institution contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Government Code (Public Funds Investment Act) as amended.

Certificates of Deposit brokered by an authorized broker/dealer that has its main office or a branch office in Texas who contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Government Code (Public Funds Investment Act) as amended.

G. Fully collateralized repurchase or reverse repurchase agreements, including flexible repurchase agreements (flex repo), with a defined termination date secured by a combination of cash and obligations of the United States or its agencies and instrumentalities pledged to the City held in the City's name by a third party selected by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. The securities received for repurchase agreements must have a market value greater than or equal to 103 percent at the time funds are disbursed. All transactions shall be governed by a Master Repurchase Agreement between the City and the primary government securities dealer or financial institution initiating Repurchase Agreement transactions.

The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

H. No-load money market mutual funds if the mutual fund:

1) is registered with and regulated by the Securities and Exchange Commission;

2) has a dollar-weighted average stated maturity of 90 days or fewer; and

3) includes in its investment objectives the maintenance of a stable net asset value of one dollar for each share.

I. Investment instruments <u>not</u> authorized for purchase by the City of Kennedale include the following:

1) Banker's Acceptances;

2) "Bond" Mutual Funds;

3) Collateralized Mortgage Obligations of any type; and

4) Commercial Paper, except that the City can invest in local government investment pools and money market mutual funds that have commercial paper as authorized investments. A local government investment pool or money market mutual fund that invests in commercial paper must meet the requirements of Article VI, Sections E and H above.

J. If an investment in the City's portfolio becomes an unauthorized investment due to changes in the Investment Policy or the Public Funds Investment Act, or an authorized investment is rated in a way that causes it to become an unauthorized investment, the investment officials of the City shall review the investment and determine whether it would be more prudent to hold the investment until its maturity, or to redeem the investment. Officials shall consider the time remaining until maturity of the investment, the quality of the investment, and the quality and amounts of any collateral which may be securing the investment in determining the appropriate steps to take.

## VII. PORTFOLIO AND INVESTMENT ASSET PARAMETERS

A. Bidding Process for Investments: It is the policy of the City to require competitive bidding for all investment transactions (securities and bank C.D.'s) except for:

1) transactions with money market mutual funds and local government investment pools (which are deemed to be made at prevailing market rates); and

2) treasury and agency securities purchased at issue through an approved broker/dealer.

At least three (3) bids or offers must be solicited for all other investment transactions. In a situation where the exact security being offered is not offered by other dealers, offers on the closest comparable investment may be used to establish a fair market price of the security. Security swaps are allowed, as long as maturity extensions, credit quality changes and profits or losses taken are within the other guidelines set forth in this policy.

B. Maximum Maturities: The City of Kennedale will manage its investments to meet anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase.

C. Maximum Dollar-Weighted Average Maturity: Under most market conditions, the composite portfolio will be managed to achieve a one-year or less dollar-weighted average maturity. However, under certain market conditions investment officials may need to shorten or lengthen the average life or duration of the portfolio to protect the City. The maximum dollar-weighted average maturity based on the stated final maturity, authorized by this investment policy for the composite portfolio of the City shall be three (3) years.

D. Diversification: The allocation of assets in the portfolios should be flexible depending upon the outlook for the economy and the securities markets. In establishing specific diversification strategies, the following general policies and constraints shall apply.

1) Portfolio maturities and call dates shall be staggered in a way that avoids undue concentration of assets in a specific sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.

2) To attain sufficient liquidity, the City shall schedule the maturity of its investments to coincide with known disbursements. Risk of market price volatility shall be controlled through maturity diversification such that aggregate realized price losses on instruments with maturities exceeding one (1) year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

3) The following maximum limits, by instrument, are established for the City's total portfolio:

- Certificates of Deposit…………………………………………………………~~25~~50%
- Local Government Investment Pools *(See D.(5) below)*………100%
- Money Market Mutual Funds *(See D.(5) below)*…………………100%
- Obligations of states, agencies, cities & other political subdivisions of any state………………………………………………………………………………….25%
- Repurchase Agreements (*See D. (4) below)*…………………………50%
- State of Texas Obligations & Agencies………………………………~~25~~50%
- US Treasury & US Agency Callables……………………………………25%
- US Government Agencies & Instrumentalities……………………100%
- US Treasury Notes/Bills…………………………………………………….100%

4) The City shall not invest more than 50% of the investment portfolio in repurchase agreements, excluding bond proceeds and reserves.

5) The investment committee shall review diversification strategies and establish or confirm guidelines on at least an annual basis regarding the percentages of the total portfolio that may be invested in securities other than U.S.

Government Obligations. The investment committee shall review quarterly investment reports and evaluate the probability of market and default risk in various investment sectors as part of its consideration.

## VIII. AUTHORIZED BROKER/DEALERS & FINANCIAL INSTITUTIONS

A. Investment officials will maintain a list of financial institutions and broker/dealers selected by credit worthiness, who are authorized to provide investment services to the City. These firms may include:

1) all primary government securities dealers; and

2) those regional broker/dealers who qualify under Securities and Exchange Commission Rule 15C3-1(uniform net capital rule), and who meet other financial credit criteria standards in the industry.

The investment officials may select up to six (6) firms from the approved list to conduct a portion of the daily City investment business. These firms will be selected based on their competitiveness, participation in agency selling groups and the experience and background of the salesperson handling the account. The approved broker/dealer list will be reviewed and approved along with this investment policy at least annually by the investment committee.

B. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the investment officials with the following:

1) Audited financial statements;

2) Proof of National Association of Securities Dealers (N.A.S.D.) certification, unless it is a bank;

3) Resumes of all sales representatives who will represent the financial institution or broker/dealer firm in dealings with the City; and

4) An executed written instrument, by the qualified representative, in a form acceptable to the City and the business organization substantially to the effect that the business organization has received and reviewed the investment policy of the City and acknowledges that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards.

## IX. SAFEKEEPING & CUSTODY OF INVESTMENT ASSETS

All security transactions, including collateral for repurchase agreements entered into by the City shall be conducted using the delivery vs. payment (DVP) basis. That is, funds shall not be wired or paid until verification has been made that the correct security was received by the safekeeping bank. The only exceptions to DVP settlement shall be wire transactions for money market funds and government investment pools. The safekeeping or custody bank is responsible for matching up instructions from the City's investment officials on an investment settlement with what is wired from the broker/dealer, prior to releasing the City's designated funds for a given purchase. The security shall be held in the name of the City or held on behalf of the City in a bank nominee name. Securities will be held by a third party custodian designated by the investment officials and evidenced by safekeeping receipts or statements. The safekeeping bank's records shall assure the notation of the City's ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the City. A safekeeping agreement must be in place which clearly defines the responsibilities of the safekeeping bank.

## X. COLLATERAL

The City's depository bank shall comply with Chapter 2257 of the Government Code, Collateral for Public Funds, as required in the City's bank depository contract.

A. Market Value: The Market Value of pledged Collateral must be equal to or greater than 102% of the principal and accrued interest for cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF) insurance coverage. The Federal Reserve Bank and the Federal Home Loan Bank are designated as custodial agents for collateral. An authorized City representative will approve and release all pledged collateral. The securities comprising the collateral will be marked to market on a monthly basis using quotes by a recognized market pricing service quoted on the valuation date, and the City will be sent reports monthly.

B. Collateral Substitution: Collateralized investments often require substitution of collateral. The Safekeeping bank must contact the City for approval and settlement. The substitution will be approved if its value is equal to or greater than the required collateral value.

C. Collateral Reduction: Should the collateral's market value exceed the required amount, the Safekeeping bank may request approval from the City to reduce Collateral. Collateral reductions may be permitted only if the collateral's market value exceeds the required amount.

D Letters of Credit: Letters of Credit, as defined in Article VI (A), are acceptable collateral for Certificates of Deposit. Upon the discretion of the City, a Letter of Credit can be acceptable collateral for City funds held by the City's bank depository.

## XI. INVESTMENT REPORTS

A. Reporting Requirements: The investment officials shall prepare a quarterly investment report in compliance with section 2256.023 of the Public Funds Investment Act of the State of Texas. The report shall be submitted to the City Council and the Investment Committee within 30 days following the end of the quarter.

B. Investment Records: An investment official designated by the City Manager shall be responsible for the recording of investment transactions and the maintenance of the investment records with reconciliation of the accounting records and of investments carried out by an accountant. Information to maintain the investment program and the reporting requirements, including pricing or marking to market the portfolio, may be derived from various sources such as: broker/dealer research reports, newspapers, financial on-line market quotes, direct communication with broker/dealers, market pricing services, investment software for maintenance of portfolio records, spreadsheet software, or external financial consulting services relating to investments.

C. Auditor Review: The City's independent external auditor may formally review the quarterly investment reports annually to ensure compliance with the State of Texas Public Funds Investment Act, and any other applicable State Statutes.

## XII. INVESTMENT COMMITTEE

A. Members: An Investment Committee, consisting of the City Manager or designee and the Director of Finance, shall review the City's investment strategies and monitor the results of the investment program at least quarterly. This review can be done by reviewing the quarterly written reports and by holding committee meetings as necessary. The committee will be authorized to invite other advisors to attend meetings as needed.

B. Scope: The Investment Committee shall include in its deliberations, such topics as economic outlook, investment strategies, portfolio diversification, maturity structure, potential risk to the City's funds, evaluation and authorization of broker/dealers, rate of return on the investment portfolio, review and approval of training providers and compliance with the investment policy. The Investment Committee will also advise the City Council of any future amendments to the investment policy that are deemed necessary or recommended.

## XIII. INVESTMENT STRATEGY STATEMENTS

The City of Kennedale portfolio will be structured to benefit from anticipated market conditions and to achieve a reasonable return. Relative value among asset groups shall be analyzed and pursued as part of the investment program within the restrictions set forth by the investment policy. The City of Kennedale maintains portfolios which utilize four specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolios.

A. Operating Funds

1) Suitability - All investments authorized in the Investment Policy are suitable for Operating Funds.

2) Preservation & Safety of Principal - All investments shall be high quality securities with no perceived default risk.

3) Liquidity - Investment strategies for the pooled operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The dollar-weighted average maturity of operating funds, based on the stated final maturity date of each security, will be calculated and ~~limited to one year or less. Constant $1 NAV investment pools and money market mutual funds shall be an integral component in maintaining daily liquidity.~~ comply with SEC Rule 2a-7. Investments for these funds shall not exceed an 18-month period from date of purchase.

4) Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

5) Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

6) Yield - The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Operating Funds shall be the 91 day Treasury bill.

B. Reserve & Deposit Funds

1) Suitability - All investments authorized in the Investment Policy are suitable for Reserve and Deposit Funds.

2) Preservation & Safety of Principal - All investments shall be high quality securities with no perceived default risk.

3) Liquidity - Investment strategies for reserve and deposit funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate reserve fund from investments with a low degree of volatility. Except as may be required by the bond ordinance specific to an individual issue, investments should be of high quality, with short-to-intermediate-term maturities. The dollar-weighted average maturity of reserve and deposit funds, based on the stated final maturity date of each security, will be calculated and limited to three years or less.

4) Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

5) Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

6) Yield - The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Reserve and Deposit Funds shall be the 91 day Treasury bill.

C. Bond & Certificate Capital Project Funds & Special Purpose Funds

1) Suitability - All investments authorized in the Investment Policy are suitable for Bond and Certificate Capital Project Funds and Special Purpose Funds.

2) Preservation & Safety of Principal - All investments shall be high quality securities with no perceived default risk.

3) Liquidity - Investment strategies for bond and certificate capital project funds, special projects and special purpose funds portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The stated final maturity dates of investments held should not exceed the estimated project completion date or a maturity of no greater than five years. The dollar-weighted average maturity of bond and certificate capital project funds and special purpose funds, based on the stated final maturity date of each security, will be calculated and limited to three years or less.

4) Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

5) Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

6) Yield - The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Bond and Certificate Capital Project Funds and Special Purpose Funds shall be the 91 day Treasury bill. A secondary objective of these funds is to achieve a yield equal to or greater than the arbitrage yield of the applicable bond or certificate.

D. Debt Service Funds

1) Suitability - All investments authorized in the Investment Policy are suitable for Debt Service Funds.

2) Preservation & Safety of Principal - All investments shall be high quality securities with no perceived default risk.

3) Liquidity - Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date. The dollar-weighted average maturity of debt service funds, based on the stated final maturity date of each security, will be calculated and comply with SEC Rule 2a-7.~~limited to one year or less.~~

4) Marketability - Securities with active and efficient secondary markets will be purchased in the event of an unanticipated cash requirement.

5) Diversification - Maturities shall be staggered throughout the budget cycle to provide cash flows based on anticipated needs. Investment risks will be reduced through diversification among authorized investments.

6) Yield - The City's objective is to attain a competitive market yield for comparable securities and portfolio constraints. The benchmark for Debt Service Funds shall be the 91 day Treasury bill.

## XIV. ANNUAL REVIEW

The Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.

**APPENDIX A**

CITY OF KENNEDALE, TEXAS
TEXAS PUBLIC FUNDS INVESTMENT ACT
CERTIFICATION BY BUSINESS ORGANIZATION

This certification is executed on behalf of the City of Kennedale, Texas and ______________________________ (the Business Organization) pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code, (the Act) in connection with investment transactions conducted between the Investor and the Business Organization.

The undersigned Qualified Representative of the Business Organization hereby certifies on behalf of the Business Organization that:

The undersigned is a Qualified Representative of the Business Organization offering to enter an investment transaction with the City of Kennedale, Texas (as defined in the Act); and

The Qualified Representative of the Business Organization has received and reviewed the Investment Policy furnished by the City of Kennedale, Texas; and

The Qualified Representative of the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Business Organization and the City of Kennedale, Texas that are not authorized by the investment policy of the City of Kennedale, Texas, except to the extent that this authorization is dependent on an analysis of the makeup of the City of Kennedale, Texas entire portfolio or requires an interpretation of subjective investment standards.

Qualified Representative of the Business Organization

_____________________________________________

Name ________________________________________

Title ________________________________________

Date ________________________________________

**RESOLUTION NO. _____**

**A RESOLUTION ADOPTING AN AMENDED CITY OF KENNEDALE INVESTMENT POLICY**

**WHEREAS,** on September 13, 2001, City Council adopted the document entitled, "Investment Policy," a framework that provides the guidelines by which the City of Kennedale will maintain the minimum amount of cash in its bank accounts to meet daily needs, and to provide protection for its principal and liquidity while receiving the highest yield possible from investing all temporary excess cash; and

**WHEREAS**, this serves to satisfy the statutory requirements of defining and adopting a formal investment policy and is authorized by the Public Funds Investment Act as amended; and

**WHEREAS**, the City Council has reviewed the City's Investment Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

The City Council of the City of Kennedale, Texas hereby approves the amended Investment Policy dated June 18, 2018, attached hereto as "Exhibit A."

**PASSED, ADOPTED AND APPROVED** by the City Council of the City of Kennedale, Texas, this the 18th day of June, 2018.

APPROVED:

__________________________

Mayor, Brian Johnson

ATTEST:

________________________________

City Secretary, Leslie Galloway

## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - N.

**I. Subject:**
Consider Resolution 534 adopting an amended City of Kennedale Procurement Card Program Policy

**II. Originated by:**

Finance Director

**III. Summary:**
The Procurement Card Program Policy aids in establishing a more efficient, cost-effective method of purchasing and paying for small dollar transactions, as well as high volume, repetitive purchases. The Procurement Card Program is as an alternative to the traditional purchasing process (departmental purchase orders) for supplies, materials and travel. Furthermore, the Procurement Card can be used with any supplier that accepts MasterCard as a form of payment. If used to its potential, the Procurement Card Program will result in a significant reduction in the volume of purchase orders and related documentation, including invoices and checks. In addition, corresponding work processes associated with ordering and check writing will be eliminated.

**The recommended changes to this policy are:**

<u>All Policies Except Investment</u>

We removed requirement to approve annually. The annual requirement to recommend changes to existing policies is an unnecessary burden upon staff time. We will continue to review the policies annually and recommend changes if appropriate. The annual review of the investment policy is a state requirement.

<u>Financial Management Policy</u>

We deleted the Fund Balance and the Cash Management sections because we have separate policy documents covering both of those items. Instead of having similar information in two different places, we believe it best to have the Fund Balance Policy and the Internal Controls & Cash Handling Policies be the one-stop shop for those items. We did not want there to be an instance where one policy gets amended when the other does not--if that happens, we could end up with conflicting policy documents.

<u>Fraud Policy</u>

We created a hierarchical list in case top management is the target of suspected fraud. We wanted to provide staff with clear direction to report if they are aware of any irregularities.

<u>Fund Balance Policy</u>

We extended the 18% minimum requirement to all operating funds to be in line with the spirit of the policy.

Grant  Submission Policy

We added language asking staff to factor in reporting costs when considering grant applications.

Internal Controls and Cash Handling Policy

Upon recommendation from an outside source, added greater segregation of duties and clarified the cash handling policy to allow greater protection for city employees and city funds.

Investment Policy

We updated the policy with recent changes to state law regarding training requirements. In addition, allowed for slightly more aggressive investment of city cash.

Procurement Card Program Policy

We added language allowing us to switch vendors if it benefits the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 201806 Procurement Card Program Policy | 201806 Procurement Card Program Policy.pdf |
| 2. | Resolution | Resolution.doc |

# CITY OF KENNEDALE

KENNEDALE
Finance Department

# PROCUREMENT CARD PROGRAM POLICY

**ORIGINALLY ADOPTED BY CITY COUNCIL: JANUARY 24, 2003**

## PREFACE

The Procurement Card Program Policy aids in establishing a more efficient, cost-effective method of purchasing and paying for small dollar transactions, as well as high volume, repetitive purchases. The Procurement Card Program is as an alternative to the traditional purchasing process (departmental purchase orders) for supplies, materials and travel. Furthermore, the Procurement Card can be used with any supplier that accepts MasterCard as a form of payment.

If used to its potential, the Procurement Card Program will result in a significant reduction in the volume of purchase orders and related documentation, including invoices and checks. In addition, corresponding work processes associated with ordering and check writing will be eliminated.

~~It is our intent to bring forth this policy to Council for review at least annually. In order to demonstrate that review, it will be custom practice for the governing board of a municipality to adopt a resolution to make the review an official public record.~~

## SUBSEQUENT REVIEW & ADOPTION

JUNE 10, 2010
NOVEMBER 17, 2011
OCTOBER 3, 2012
OCTOBER 1, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015
OCTOBER 17, 2016
JUNE 18, 2018

## I. PURPOSE

The Procurement Card Program (herein referred to as the "Program") is intended to streamline and simplify the Purchasing and Accounts Payable functions by eliminating waste and low value activities. The Procurement Card (herein referred to as the "Card") is a tool that reduces transaction costs, facilitates timely acquisition of materials and supplies, automates data flow for accounting purposes and offers flexible controls to help ensure proper usage.

The Program is designed as an alternative to a variety of processes including petty cash, check requests and low dollar purchase orders. It is not intended to avoid or bypass appropriate procurement of payment procedures. Rather, the Program complements the existing processes available. The Card is a MasterCard credit card that is issued by JP Morgan Chase. The City may switch vendor's at any point if it is beneficial to the City. Some minimal record keeping is essential to ensure the successful use of the Card. This is not an extraordinary requirement; standard payment policies require retention of receipts, etc.

This Procurement Card Program Policy provides information about the process, the types of purchases that can and cannot be made, records that must be maintained and reconciled for each cycle, and a variety of other program information.

Every time the Card is utilized, city funds are committed. Therefore, this is a responsibility that should not be taken lightly. **Each cardholder is responsible for all charges made to his/her specific card, and any intentional misuse or fraudulent abuse may result in disciplinary action, up to and including dismissal**.

The Card has no impact on personal credit. Although the Card lists an individual's name, the card is actually issued to the City of Kennedale.

## II. DEFINITIONS

For the purpose of this policy the following definitions apply:

A. Program Administrator – Individual who has a direct relationship with the Bank and is the City's point of control for the Program, monitors all usage of the card, and is the point of contact for any cardholder questions or problems. All procurement card requests, issues and cancellations must go through the Program Administrator. The Program Administrator and his/her designated assistant are knowledgeable on all the procedures in the Procurement Card Program Policy and are responsible for ensuring all cardholders are properly trained in the use of the Card before it is issued. The Program Administrator will also report to the City Manager any Cardholder infractions or potential infractions. **For the purposes of this program, the Director of Finance will serve as the Program Administrator, with the Accounting Technician acting as the designated backup until such time that the City Manager chooses to designate differently.** The Director of Finance is responsible for developing written guidelines on accounting, cash handling, and other financial matters in relation to the Program.

B. Approver – The Department Head or his/her designee is responsible for designating cardholders and approvers. The Department Head shall designate which employees will be issued a card, and with the guidance of the Finance Department, determine what transaction and merchant limits shall apply to the Card's use. The Department Head ensures that purchases are authorized and within City policies. Departments may implement more stringent internal authorization procedures that its cardholders must follow in order to make purchases with the Card. In addition, activity reports are available for additional review by the Department Head if so requested.

C. Cardholder - Individual who has been issued the Card and who is authorized to make purchases in accordance with these procedures.

D. Single Purchase/Transaction Limit - A dollar limitation of purchasing authority delegated to a Cardholder, which represents the maximum amount that can be charged to the Card for a single purchase or transaction. This dollar limit may vary from Cardholder to Cardholder.

E. Cycle/Monthly Limit - A dollar amount limitation of purchasing authority delegated to a Cardholder, which represents the maximum amount that can be charged to the Card during a period of one calendar month. This dollar limit may vary from Cardholder to Cardholder.

F. Vendor - A company from which a Cardholder is purchasing materials and/or equipment or services under the provisions of this procedure. Also referred to as supplier, merchant, etc.

## III. PROCEDURES

A. Obtaining The Card - Only full/part-time employees of the City of Kennedale are eligible to receive the Card. Contractors or temporary employees are **not** eligible, unless authorized by the City Manager.

1) Department Head must request the Card via the *Procurement Card Enrollment Form (Appendix A).*

2) If needed, the Department Head may consult with the Program Administrator to determine appropriate transaction limits.

3) The Program Administrator will request the issue of the Card from JPMorgan Chase or applicable vendor.

4) Upon receipt of the Card, the Program Administrator will conduct Cardholder training, and upon completion, the Cardholder will sign the *Procurement Cardholder Acknowledgement Form (Appendix B)*.

5) The new cardholder will also be instructed as to where he/she can find the Procurement Card Program Policy and Purchasing Policy for reference purposes.

B. Activating The Card - The Cardholder must call (800) 316-6056 or applicable phone number to activate the Card before using it.

C. Authorized Use Of The Card - The Cardholder is responsible for the security of their Card, and the transactions made against it. When a Cardholder receives his/her Card, only that Cardholder is authorized to use that card. The Cardholder may make transactions on behalf of others in their Department. However, the Cardholder is responsible for all use of his/her Card. **At no time should the Cardholder loan or let other individuals utilize his/her card**.

1) The Card is to be used in the conduct of the City's business only. The use of the Card to acquire or purchase goods and services for other than official use of the City is fraudulent use and may subject the employee to disciplinary action, up to and including dismissal as specified in the City's Personnel Policy and/or criminal prosecution.

2) The total value of a transaction shall not exceed a Cardholder's single purchase limit.

3) The Cardholder will retain vendor's receipts and/or records of telephone, Internet, and/or mail orders and file for future reconciliation of the Card statement.

D. Unauthorized Use Of The Card - The credit card shall **not** be utilized for any of the following:

1) Personal identification or purchases, to include the payment of spouse/family expenses incurred while traveling. Only City business expenses are allowable, and the Cardholder should pay personal expenses separately.

2) A purchase that exceeds the Cardholder's single and/or monthly purchase limits;

3) Cash refunds and advances;

a. When an item is returned, the vendor shall issue the Cardholder a credit, which should appear on a subsequent statement. **Under no circumstances should the Cardholder accept cash in lieu of a credit to the credit card account. However, should cash be received, a Cardholder must return it to**

**the City. Otherwise, the City is authorized to deduct any applicable charges from the payroll of the employee if not otherwise reimbursed.**

4) Any purchase of goods/services or at a merchant type not considered prudent or of good judgment;

5) Fuel and/or maintenance purchases on any **personal** vehicles whether for city purpose or not (city owned vehicles are authorized);

6) Alcohol or liquor of any kind;

7) Separate, sequential, and component purchases or any transaction made with the intent to circumvent the City's Purchasing Policy or state law;

8) Any other purchase specifically excluded in the City's Purchasing Policy.

E. Cardholder Revocation - The Card is subject to revocation at any time at the discretion of the Department Head. The Program Administrator, if not the Director of Finance, may also recommend to the Director of Finance and Department Head that the Card be revoked upon indication of any violation of the Procurement Card Program Policy. When a Card is revoked, changes are made on-line and take effect immediately. The Program Administrator is further authorized to temporarily suspend use of the Card via electronic methods if unauthorized use is discovered and such use poses a threat to internal financial controls.

F. Cardholder Separation – Prior to separation from the City of Kennedale, the Cardholder shall surrender the Card and all current credit card receipts and documentation to his/her Approver. Upon receipt, the Approver will follow the steps outlined under Section VI: Cardholder Statement Review & Payment Submission, and then forward the Card to the Program Administrator to be destroyed.

## IV. CARDHOLDER LIMITS

As part of a Cardholder's application, the Department Head will identify which levels of transaction and cycle spending limits best accommodates the department and City's business requirements. **Suggested levels** for limits are outlined below; however, selection may vary based on particular need or function.

| Position | Single Transaction Limit | Monthly Cycle Limit |
|---|---|---|
| Line Staff | $500 | $1,000 |
| Supervisor | $1000 | $2,500 |
| Dept. Head | $3,000 | $5,000 |
| City Manager | $3,000 | $25,000 |

## V. CARDHOLDER PURCHASES

A. <u>Sales Tax</u> - As a tax-exempt government agency, the City of Kennedale does **not** pay sales tax on applicable items. The City's sales tax identification number is provided on the face of the Card, and Cardholders can request a copy of the City's tax exemption certificate from Accounts Payable should it be needed. Cardholders are responsible for ensuring that the vendor does not include sales tax in the transaction, unless an item is subject to sales tax. **If tax is included in error, the Cardholder may be responsible for reimbursing the tax amount to the City if it is not recovered from the vendor.** Contact Accounts Payable for questions in regards to which purchases are subject to tax.

B. <u>Returns</u> - Each Cardholder is responsible for coordinating returns with the vendor and ensuring a proper credit slip is obtained. Credit shall be issued to the Cardholder account. **Under no circumstances should the Cardholder accept cash in lieu of a credit to the credit card account. However, should cash be received, a Cardholder must return it to the City. Otherwise, the City is authorized to deduct any applicable charges from the payroll of the employee if not otherwise reimbursed.**

C. <u>Point Of Sale Decline</u> - Should a Cardholder be declined at the point of sale for any reason, please contact either the JP Morgan Chase Bank Customer Service Center 24 hours a day, 7 days a week at (800) 316-6056<u>, applicable vendor contact,</u> or the Program Administrator. Every effort will be made to determine why the transaction was declined.

D. <u>Restricted Vendors</u> - The Program may restrict certain types of vendors based on their use. The restriction of vendors is accomplished by the Program Director upon the Cardholder's application; therefore, if you present the Card for payment to any of these "opted-out" vendors, the authorization request will be declined. Should an authorization request be declined, please contact either the JP Morgan Chase Bank Customer Service Center 24 hours a day, 7 days a week at (800) 316-6056<u>, applicable vendor contact,</u> or the Program Administrator. Once it is determined that the authorization request was denied due to vendor type/use restriction, the Program Administrator will work with the Cardholder to ascertain whether or not the restriction should remain or be lifted.

E. <u>Vendor Refusal Of Card</u> - Vendors are to be encouraged to become involved in the Program so that Cardholders can leverage their purchasing efforts most effectively. Vendors may contact their local bank or financial institution to become credit card capable. For those vendors that are unwilling to participate in the Program, alternative sources should be found. Cardholders may also feel free to make contact with any vendors he/she would like to begin accepting the Card.

F. <u>Errors & Disputes</u> - In the case of an error, first contact the vendor directly and try to reach an agreement. Most disputes can be resolved in this manner. If you are unable to reach an agreement with the vendor, complete a *Procurement Card Transaction Dispute Form* and send it to JP Morgan Chase Bank<u> or applicable vendor</u>. All disputes must be submitted in writing to JP Morgan Chase Bank within **sixty (60) days** of the statement date via the following:

1) Fax (847) 931-8861; or

2) Mail to: JP Morgan Chase Commercial Card, Attention: Disputes Department, PO Box 2015, Elgin, Illinois 60121.

G. Lost Or Stolen Cards - If a card is lost or stolen, **both** JP Morgan Chase Bank's Customer Service and the Program Administrator should be notified immediately. The Customer Service Center is available 24 hours a day, 7 days a week and can be contacted at (800) 316-6056. A *Procurement Card Lost/Stolen Card Notification Form* should also be completed as soon as possible and submitted to the Program Administrator. A new card shall be promptly issued to the Cardholder after the reported loss or theft. A card that is subsequently found by the Cardholder after being reported lost shall be destroyed.

## VI. CARDHOLDER STATEMENT REVIEW & PAYMENT SUBMISSION

Each Cardholder is responsible for the accurate review of his/her monthly statement, as well as the timely submission to Accounts Payable with all appropriate signatures, supporting receipts and documentation to pay his/her bill.

Monthly, each Cardholder will receive a statement(s) from Accounts Payable identifying each transaction made against the Card during the prior billing cycle. While the cycle cut-off date may vary, it generally occurs during the **first week of every month (5$^{th}$)**. The City of Kennedale is required to pay JP Morgan Chase Bank in full each month **no later than the 30$^{th}$ calendar day after statement close** for all purchases made during the prior billing cycle. Therefore, please pay specific attention to the request deadline stipulated by Accounts Payable upon initial dissemination of the statement.

The statement (with attached receipts/documentation) must be reconciled against Cardholder retained receipts/documentation, signed by the Cardholder as proof of reconcilement, and then forwarded to the Department Head or his/her designee for approval.

Always obtain a receipt when using the Card. Furthermore, detailed receipts must be presented for all meal reimbursements (i.e., credit card charge slip will **not** be considered adequate documentation). Alcoholic beverage purchases are strictly prohibited from card usage, and the purpose of the business meal, and the names of those in attendance must also be indicated.

**If the Cardholder misplaces or loses a receipt or is unable to provide adequate details concerning a purchase, a *Missing Or Lost Receipt Form* must accompany the Cardholder's request for payment. Recurring instances of misplaced or lost receipts may result in the revocation of Cardholder privileges. Furthermore, the Cardholder will be responsible for reimbursing the City of Kennedale for all applicable charges, and the City is authorized to**

**deduct any applicable charges from the payroll of the Cardholder if not otherwise reimbursed.**

**NOTE:** During the month of September, purchases may be restricted to facilitate the Fiscal Year end closing. It is imperative that careful planning is done to ensure that appropriate levels of supplies are on hand to last until the beginning of the new Fiscal Year.

## VII. CARDHOLDER RECORD KEEPING

A. Any Means - Whenever a credit card purchase is made, either over-the-counter or by other means, documentation shall be obtained as proof of purchase. Such documentation will be used to verify the purchases listed on the Cardholder's monthly statement of account.

B. Over-the-Counter - When the purchase is made over-the-counter, the Cardholder shall retain the invoice and "customer copy" of the charge receipt. The Cardholder is responsible for checking that the vender lists the quantity and fully describes the item(s) prior to the Cardholder signing the slip.

C. Internet - When the purchase is made over the Internet, the Cardholder shall print a copy of the receipt and order confirmation before exiting the site.

D. Telephone - When a purchase is made over the telephone, the Cardholder shall have the vendor fax them a copy of the receipt.

E. Mail - When the purchase is made by mail, the Cardholder shall retain all confirmations and shipping documentation.

## VIII. CARDHOLDER SECURITY

It is the Cardholder's responsibility to safeguard the Card and account number to the same degree that a Cardholder safeguards his/her personal credit information. A violation of this trust may result in that Cardholder having his/her card withdrawn and possible disciplinary action.

If a card is lost or stolen, **both** JP Morgan Chase Bank's Customer Service and the Program Administrator should be notified immediately. The Customer Service Center is available 24 hours a day, 7 days a week and can be contacted at (800) 316-6056. A *Procurement Card Lost/Stolen Card Notification Form* should also be completed as soon as possible and submitted to the Program Administrator. A new card shall be promptly issued to the Cardholder after the reported loss or theft. A card that is subsequently found by the Cardholder after being reported lost shall be destroyed.

A Cardholder may have two (2) cards replaced due to loss. Any additional requests may result in the revocation of Cardholder privileges. If a Cardholder is determined to be negligent in regards to security, replacement cards will not be issued.

## IX. JP MORGAN CHASE (IF EXISTING VENDOR)

A. Payment - The Card is a corporate pay arrangement with JP Morgan Chase. Account balances will be **paid in full each month no later than the 30th calendar day after statement close**. The Program Administrator will receive a centralized statement detailing all Cardholder activity. A copy of the centralized statement will be provided to each applicable Cardholder to review, complete the appropriate form, obtain appropriate signature(s) and return all attached receipts and documentation. Accounts Payable will designate a pay request deadline to Cardholders upon initial dissemination of the centralized statement in order to ensure payment will be made to JP Morgan Chase as agreed. Cardholders should **not** receive a separate cardholder statement directly from JP Morgan Chase. Should this occur, please disregard the statement and notify Accounts Payable.

B. Audit – All cardholder activity is subject to audit by Corporate Audit, the Program Administrator, his or her designee, Approvers, and any other appropriate City of Kennedale personnel or outside audit firm. Audits help ensure adherence to the Program's policies and procedures.

C. Customer Service – There are several methods or avenues available for assistance.

1) *For Individual Cardholder*: The Program is serviced using a team approach with JP Morgan Chase Bank's Customer Service Center, which can be reached at (800) 316-6056. This center is available 24 hours a day, 7 days a week to assist the Cardholder with general questions about the procurement card account. If a card is lost or stolen, **both** Customer Service and the Program Administrator should be notified immediately. A *Procurement Card Lost/Stolen Notification* Form should also be completed as soon as possible and submitted to the Program Administrator.

2) *For Program Administrator Only*: The Program Coordinator Service Team for the State of Texas is a specialized group that provides service strictly to Program Administrators and helps with day-to-day activities and updating of Merchant Account Code (MAC) authorizations. This group can be contacted at (888) 508-9758, (888) 297-0785 fax, or email ccs-public-sector@jpmchase.com. The Program Coordinators are available from 7:00 AM to 6:00 PM CST. When calling the Program Coordinators, please be prepared to provide a Company Number, Agent Number and Security Identifier. **Individual Cardholders should not utilize this phone number.**

3) *For Program Administrator Only*: Client Application Support provides assistance with the Smart Data On-Line software application. This group answers questions about

functionality, resets Program Administrator passwords and helps trouble shoot any other application related issues. Client Application Support can be contacted at (877) 967-1100, Option 2.

## ~~X. ANNUAL REVIEW~~

~~The Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.~~

# CITY OF KENNEDALE

PROCUREMENT CARD ENROLLMENT FORM

(Appendix A)

**I. EMPLOYEE/CARDHOLDER INFORMATION**

Name: ______________________________________ Social Security (Last 4 Only): ____________

Department/Division: _________________________ Mother's Maiden Name: _______________

Date of Birth: ________________________________ Office Phone: ________________________

**II. CARD LIMITS: MAXIMUM PURCHASE LIMITS:** Please note that these are "suggested" levels based on position; however, selection may vary based on particular need or function.

| Position | Single Transaction Limit | Monthly Cycle Limit |
|---|---|---|
| Line Staff | $500 | $1,000 |
| Supervisor | $1000 | $2,500 |
| Dept Head | $3,000 | $5,000 |
| City Manager | $3,000 | $25,000 |

Single Transaction Limit Requested: ______________

Monthly Cycle Limit Requested: ______________

Department Head Name: ____________________________________

Department Head Signature: ____________________________________ Date: _____________

---

**II. CARD ORDER & RECEIPT**

Date Ordered: ______________ Who Ordered: ____________________________________________

Date Received: ______________

Cardholder's Name as it Appears on the Card: _______________________________________________

Card Number: __________________________________ Expiration Date: _______________________

## CITY OF KENNEDALE

PROCUREMENT CARDHOLDER ACKNOWLEDGEMENT FORM

(Appendix B)

I understand that the general use of the City of Kennedale credit card for small purchases is a standard procedure of the City.

1) I will be expected to use the credit card issued to me as directed by the provisions of the City's Procurement Card Program Policy.
2) I will not permit another person to use the credit card issued to me. Any such purchases made with my card will be considered to be made by me and my responsibility.
3) I will be responsible for the safe keeping of the credit card issued to me and if lost or stolen, I will report its loss immediately to **both** JP Morgan Chase Bank's Customer Service and the Program Administrator (Finance Department).
4) I understand that my personal credit will not be affected by any use of the City of Kennedale's credit card.
5) By accepting the Card, I recognize that I may be subject to periodic internal control reviews and audits designed to protect the interests of the City, and I agree to comply with these reviews and audits.
6) In the event of termination of employment whether for retirement, voluntary separation, resignation or dismissal, I also agree to surrender and cease use of the Card. In addition, I must surrender and cease use of the Card in the event of transfer or relocation.
7) I may also be asked to surrender the Card at any time deemed necessary by management.
8) The use of a City credit card to acquire or purchase goods and services for other than the official use of the City is fraudulent use. An employee guilty of fraudulent use will be subject to disciplinary action, up to and including dismissal.
9) I agree that any reimbursement owed the City may be deducted from my wages as outlined in the City Procurement Card Program Policy.

By signing below, I acknowledge that I have read and agree to the terms and conditions of this document, as well as the City of Kennedale's Procurement Card Program Policy.

Employee Name: ____________________________________________________

Employee Signature: ____________________________________________________

Date: ______________________________

**CITY OF KENNEDALE**
PROCUREMENT CARD LOST/STOLEN/FRAUD NOTIFICATION FORM
(Appendix C)

Cardholder's Name: ______________________________________________

Card Number: ______________________________________________

**Card Was (Please Check One):**

_______ Lost
_______ Stolen
_______ Other (Describe): ______________________________

**Describe How Card Was Lost/Stolen:** ______________________________

______________________________________________

______________________________________________

______________________________________________

**Was Police Report Filed (Circle):** Yes or No

**If Yes:** Department: ______________________________

Report Number: ______________________________

**Credit Card Company Notified:** Date: ______________________________

Time: ______________________________

Cardholder's Signature: ______________________________ Date: ______________

Finance Director's Signature: ______________________________ Date: ______________

**CITY OF KENNEDALE**
PROCUREMENT CARD TRANSACTION DISPUTE FORM
(Appendix D)

Cardholder's Name: ______________________________ Card Number: ______________________

Cardholder's Signature: ___________________________ Date: _____________________________

Vendor Name: _____________________________________________________________________

Statement Date: ________________________________ Transaction Date: ____________________

Transaction #: __________________________________ Posting Date: _______________________

Amount Disputed: ______________________________

______ There is a difference in the amount I authorized, and the amount I was billed (a copy of your charge must be attached).

______ I only transacted one charge and I was previously billed for it (date of previous charge ___________).

______ The above transaction is mine but I am disputing the transaction (please state your reasons why in detail).

___________________________________________________________________________

___________________________________________________________________________

___________________________________________________________________________

______I do not recognize the above transaction.

______ I have received a credit voucher for the above transaction, but it has not yet appeared on my account (a copy of the credit voucher must be attached).

______ My account has been charged for the above transaction, but I have not received the merchandise. The details of my attempt to resolve the dispute with the vendor and the vendor's response are indicated below.

___________________________________________________________________________

___________________________________________________________________________

___________________________________________________________________________

***Attach the completed form to your monthly statement for review and approval by your Approving Supervisor and Accounts Payable.***

**RESOLUTION NO. ____**

**A RESOLUTION ADOPTING AN AMENDED CITY OF KENNEDALE PROCUREMENT CARD POLICY**

**WHEREAS**, the City Council allows the City to utilize cooperative purchasing programs with the approval of City Council; and.

**WHEREAS**, on January 24, 2003, the City Council adopted the document entitled, “Procurement Card Program Policy,” a guide to aid in establishing a more efficient, cost-effective method of purchasing and paying for small dollar transactions, as well as high volume, repetitive purchases, and

**WHEREAS**, the City Council has reviewed the Procurement Card Program Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

The City Council of the City of Kennedale, Texas hereby approves the Procurement Card Program Policy dated June 18, 2018, attached hereto as “Exhibit A.”

**PASSED, ADOPTED AND APPROVED** by the City Council of the City of Kennedale, Texas, this the 18th day of June, 2018.

APPROVED:

__________________________
Mayor, Brian Johnson

ATTEST:

________________________________
City Secretary, Leslie Galloway

## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - O.

**I. Subject:**
Consider Resolution 535 adopting an amended City of Kennedale Purchasing Policy

**II. Originated by:**

Finance Director

**III. Summary:**
State law (Local Government Code, Chapter 252: Purchasing and Contracting Authority of Municipalities) serves as the primary purchasing authority for the City of Kennedale. The purpose of this policy is to establish standard practices and procedures to create a uniformity, economy, efficient and effective purchasing program for the City of Kennedale.

The City of Kennedale Purchasing Policy allows the City to utilize cooperative purchasing programs with the approval of City Council. Furthermore, City purchases made through an approved Cooperative Purchasing Program satisfy state law competitive bid requirements and any internal quote process.

The State of Texas or Texas Procurement and Support Services (TPASS) originally secured a contract with JPMorgan Chase to provide MasterCard corporate travel and procurement charge card services for state agencies, universities and eligible State of Texas CO-OP entities from June 13, 2003 through August 31, 2010. Council approved the City's participation in 2010. Since this time, the State has secured another vendor; however, the City elected to remain with JPMorgan Chase through a cooperative purchasing program agreement with the City of Fort Worth to receive the same type of benefits that we did while on the state contract.

**The recommended changes to this policy are:**

<u>All Policies Except Investment</u>

We removed requirement to approve annually. The annual requirement to recommend changes to existing policies is an unnecessary burden upon staff time. We will continue to review the policies annually and recommend changes if appropriate. The annual review of the investment policy is a state requirement.

<u>Financial Management Policy</u>

We deleted the Fund Balance and the Cash Management sections because we have separate policy documents covering both of those items. Instead of having similar information in two different places, we believe it best to have the Fund Balance Policy and the Internal Controls & Cash Handling Policies be the one-stop shop for those items. We did not want there to be an instance where one policy gets amended when the other does not--if that happens, we could end up with conflicting policy documents.

Fraud Policy

We created a hierarchical list in case top management is the target of suspected fraud. We wanted to provide staff with clear direction to report if they are aware of any irregularities.

Fund Balance Policy

We extended the 18% minimum requirement to all operating funds to be in line with the spirit of the policy.

Grant  Submission Policy

We added language asking staff to factor in reporting costs when considering grant applications.

Internal Controls and Cash Handling Policy

Upon recommendation from an outside source, added greater segregation of duties and clarified the cash handling policy to allow greater protection for city employees and city funds.

Investment Policy

We updated the policy with recent changes to state law regarding training requirements. In addition, allowed for slightly more aggressive investment of city cash.

Procurement Card Program Policy

We added language allowing us to switch vendors if it benefits the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 201806 Purchasing Policy | 201806 Purchasing Policy.pdf |
| 2. | Resolution | Resolution.doc |

# CITY OF KENNEDALE

KENNEDALE
Finance Department

# PURCHASING POLICY

**ORIGINALLY ADOPTED BY CITY COUNCIL: NOVEMBER 13, 2008**

## PREFACE

State law (Local Government Code, Chapter 252: Purchasing and Contracting Authority of Municipalities) serves as the primary purchasing authority for the City of Kennedale. In addition to several administrative updates, which further establish standard practices and procedures to create uniformity, economy, efficiency and effectiveness in our purchasing program, Staff incorporated a major revision due to a change in statute. Specifically, the expenditure threshold increased from $25,000 to $50,000 in reference to competitive bidding and proposal requirements per Senate Bill 1765.

This policy was formally adopted by the Council on November 13, 2008. However, prior to this date, it was created on May 16, 2005 and reviewed administratively.

~~It is our intent to bring forth this policy to Council for review at least annually. In order to demonstrate that review, it will be custom practice for the governing board of a municipality to adopt a resolution to make the review an official public record.~~

## SUBSEQUENT REVIEW & ADOPTION

NOVEMBER 5, 2009
NOVEMBER 17, 2011
OCTOBER 3, 2012
OCTOBER 1, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015
OCTOBER 17, 2016
MARCH 5, 2018
JUNE 18, 2018

## I. PURPOSE

The purpose of this policy is to establish standard practices and procedures to create a uniformity, economy, efficient and effective purchasing program for the City of Kennedale.

## II. POLICY

It is the policy of the City of Kennedale to authorize purchases at time and place needed in the proper quantity and of the proper quality, all goods and services required for City operations. Goods and services shall be procured at the lowest possible cost consistent with prevailing economic conditions while establishing and maintaining a reputation for fairness and integrity, with the express intent to promote open and fair conduct in all aspects of the purchasing process.

## III. GOVERNING AUTHORITY

The primary governing authority for the City of Kennedale's Purchasing Policy shall be the City's Charter, in conjunction with *Chapter 252 of the Local Government Code: Purchasing and Contracting Authority of Municipalities*. All procurement activity shall be governed in accordance with applicable federal, state, and local statues, ordinances, and codes.

## IV. CODE OF ETHICS

Every time items are purchased, city funds are committed. Therefore, this is a responsibility that should not be taken lightly. By participating in the purchasing process, employees of the City of Kennedale agree to:

A. Make purchases in the conduct of the City's business only. **To acquire or purchase goods and services for other than official use of the City is fraudulent use and may subject the employee to disciplinary action, up to and including dismissal as specified in the City's Personnel Policy and/or criminal prosecution.**

B. Avoid the intent and appearance of unethical or compromising practice in relationships, actions, and communications.

C. Demonstrate loyalty to the City of Kennedale by diligently following the lawful instructions of the employer, using reasonable care, and only authority granted.

D. Refrain from any private business or professional activity that would create a conflict between personal interests and the interest of the City of Kennedale.

E. Refrain from soliciting or accepting money, loans, credits, or prejudicial discounts, and the acceptance of gifts, entertainment, favors, or services from present or potential suppliers that might influence, or appear to influence purchasing decisions.

F. Never discriminate unfairly by the dispensing of special favors or privileges to anyone, whether as payment for services or not; and never accept for himself or herself or for family members, favors or benefits under circumstance which might be construed by reasonable persons as influencing the performance of Governmental duties.

G. Engage in no business with the City of Kennedale, directly or indirectly, which is inconsistent with the conscientious performance of Governmental duties.

H. Handle confidential or proprietary information belonging to employer or suppliers with due care and proper consideration of ethical and legal ramifications and governmental regulations.

I. Never use any information gained confidentially in the performance of Governmental duties as a means of making private profit.

J. Promote positive supplier relationships through courtesy and impartiality in all phases of the purchasing cycle.

K. Know and obey the letter and spirit of laws governing the purchasing function and remain alert to the legal ramifications of purchasing decisions.

L. Expose corruption and fraud wherever discovered.

M. Uphold these principles, ever conscious that public office is a public trust.

## V. FUND AVAILABILITY & PAYMENT AUTHORIZATION

A. Verification of fund availability is the responsibility of the User Department.

B. Finance Department shall verify available funds through the City's financial reporting system during requisition entry. If funds are not available at the time, no purchase will be made until funds are made available with approval from City Manager.

C. At a minimum, payment approval is required from Department Head to pay for **all** products and/or services.

D. As a tax-exempt government agency, the City of Kennedale does **not** pay sales tax on applicable items. The cardholders can request a copy of the City's tax exemption certificate from Accounts Payable City's. Furthermore, a sales tax identification number is provided on the face of the City's Procurement Card should it be utilized. Employees are responsible for ensuring that the vendor does not include sales tax in the transaction, unless an item is subject to sales tax. **If tax is included in error, the employee may be responsible for reimbursing the tax to the City if it is not recovered**

**from the vendor.** Contact Accounts Payable for questions in regards to which purchases are subject to tax.

E. Approved invoices are forwarded directly to the Finance Department with the appropriate supporting documentation and signatures. **If an employee misplaces or loses a receipt or is unable to provide adequate details concerning a purchase, a *Missing Or Lost Receipt Form* must accompany the employer's request for payment. Recurring instances of misplaced or lost receipts may result in the revocation of employee purchasing privileges. Furthermore, the employee will be responsible for reimbursing the City of Kennedale for all applicable charges, and the City is authorized to deduct any applicable charges from the payroll of the employee if not otherwise reimbursed.**

F. Payments for goods and services must be paid **no later than 30 days after the later** of:

1) Receipt of goods/services OR receipt of the invoice for the goods/services.

2) Goods/services will be considered received when they have been accepted as usable by the User Department.

## VI. LEGAL REQUIREMENTS

A. *Texas Local Government Code, Subchapter B, Section 252.021* defines the requirements for competitive bids. Under no circumstances shall multiple requisitions be used in combination to avoid otherwise applicable bidding requirements or City Council approval. Intentionally splitting purchases to circumvent the competitive bid process (i.e. two or more purchases made to keep the amount under $50,000) will result in disciplinary action.

B. Likewise, intentionally splitting purchases to circumvent the three (3) quote requirement process (i.e. two or more purchases made to keep the amount under $3,000.01) will result in disciplinary action.

C. Purchases made through an approved Cooperative Purchasing Program satisfy state law competitive bid requirements, as well the City of Kennedale's requirement for any quote process. Cooperative purchasing occurs when **two or more** governmental entities coordinate some or all purchasing efforts to reduce administrative costs, take advantage of quantity discounts, share specifications, and create a heightened awareness of legal requirements. Cooperative purchasing can occur through interlocal agreements, state contracts, piggybacking, and joint purchases.

D. Any exemption per *Section 252.022, General Exemption of Texas Local Government Code* will need the approval from City Manager. The Department Head will need to include a written explanation, as well as copies of all the quotes for City Manager review. Upon approval from City Manager, attach written explanation and all documentation and send to Finance Department for payment.

## VII. QUOTES

A. Purchases of non-contract goods or services totaling **$3000 or less require no quotation**. In such instances, departments should make every effort to use the City's procurement card.

B. Except where otherwise exempted by applicable State law, purchases totaling **$3,000.01 to $49,999.99 require a minimum of three (3) quotes**. All quotations received must be in writing from the vendor and will be evaluated by the Department Head who will then authorize the purchase.

1) *Chapter 252.0215 of the Local Government Code: Competitive Bidding in Relation to Historically Underutilized Business (HUB) Vendors*, states that a municipality, in making an expenditure of **more than $3,000 but less than $50,000**, shall contact **at least two HUBs** on a rotating basis. If the list fails to identify a disadvantaged business in the county in which the City is situated, the City is exempt from this section.

2) Historically Underutilized Business (HUB) are defined as any business determined by the State of Texas to be a disadvantaged (minority/woman owned) vendor.

3) Refer to Appendix B for specific instructions on how to conduct a HUB search.

## VIII. SEALED COMPETITIVE PROCESS

Except as otherwise exempted by applicable State law, requisitions for item(s) whose aggregate total cost is **$50,000 or more** must be processed as competitive solicitations (e.g. sealed bids, request for proposals).

1) With the approval from the City Manager to begin the competitive process, the User Department shall prepare a bid package with specifications and any other pertinent information. Along with the specifications and other information, the Department may submit suggested vendors for the item(s) requested.

2) A notice will be published in Kennedale's official newspaper to indicate the City's intent to accept bids in accordance with State law. **Bids must be advertised for two (2) consecutive weeks with the first publication at least 14 days prior to the bid opening date**.

3) Vendor pre-bid conferences may be conducted if, in the opinion of requesting Department, further explanation or coordination is needed due to the nature of the bid.

4) The City Secretary or designee shall publicly open the bids received and read them aloud at a designated time and as indicated in the bid packet. The City Secretary or designee will indicate to those present when the Council will most likely address this item and will make available to those present the names of the vendors and the amount of their respective bids. In the case of an RFP, only the submitter's names will be announced. A tabulation will then be created. A representative from the User Department should be present during bid openings.

## IX. AWARD OF CONTRACT

The City of Kennedale shall award contracts based on criteria deemed in the best interest of the City. The *Texas Local Government Code, Section 252.043*, states, in part:

1) If the competitive sealed bidding requirement applies to the contract for goods or services, the contract must be awarded to the lowest responsible bidder or to the bidder who provides goods or services at the best value for the municipality.

2) Before awarding a contract under this section, a municipality must indicate in the bid specifications and requirements that the contract may be awarded either to the lowest responsible bidder or to the bidder who provides goods or services at the best value for the municipality.

## X. RECIPROCITY

The State of Texas Reciprocity Law provides that the State or political subdivision cannot award contracts or purchases to non-resident bidders having local preference laws in their resident states, unless their bid is lower than the lowest bid submitted by a responsible Texas resident bidder by the amount that a Texas resident bidder would be required to underbid a nonresident bidder to obtain a comparable contract in the state in which the nonresident's principal place of business is located.

## XI. DISCLOSURE OF INFORMATION

Access to bidder-declared trade secrets or confidential information shall be in accordance with the *Texas Government Code Chapter 552*, the *Public Information Act*, and applicable City policies implementing this chapter. The *Texas Local Government Code Chapter 252.049(b)* states, in part:

A. If provided in a Request For Proposal (RFP), proposals shall be opened in a manner that avoids disclosure of the contents to competing offers and keeps the proposals secret during negotiations. All proposals are open for public inspection after the contract is awarded, but trade secrets and confidential information in the proposals are not open for public inspection.

## XII. AUTOMATED INFORMATION TECHNOLOGY PURCHASES

Departments may contact the Finance Department for all technology procurements, so that it can coordinate with Information Technology to ensure that the appropriate solicitation procedure is used and product is sought. Automated information technology purchases include:

A. The computers on which the information system is automated;

B. A service related to the automation of the system, including computer software, or the computer; and

C. A telecommunications apparatus or device that serves as a component of a voice, data, or video communications network for transmitting, switching, routing, multiplexing, modulating, amplifying, or receiving signals on the network.

## XIII. PROFESSIONAL SERVICES (EXEMPT FROM SEALED COMPETITIVE PROCESS)

Personal and professional services are exempted from the competitive bidding process and are procured through the use of Request for Qualification (RFQ) documents. The Finance Department is available to consult with departments regarding the preparation of information; however, the presentation of technical and qualifications aspects of personal and/or professional services included in the RFQ documents is the sole responsibility of the requesting department.

A. *Texas Government Code, Chapter 2254, Subchapter A, Professional Services*, states that contracts for the procurement of defined professional services may not be awarded on the basis of competitive bids. Instead, they must be awarded on the basis:

1) Of demonstrated competence and qualifications to perform the services;

2) For a fair and reasonable price;

3) Fees are allowed;

4) Must be consistent with and not higher than the recommended practices and fees published by the applicable professional associations; and

5) May not exceed any maximum provided by law.

B. Professional Services, for the purposes of *Government Code Chapter 2254,* are defined as those "services within the scope of the practice, as defined by state law, of accounting, architecture, landscape architecture, land surveying, medicine, optometry, professional engineering, real estate appraising, or professional nursing, or provided in connection with the professional employment or practice of a person who is licensed or registered as a certified public accountant, an architect, a landscape architect, a land surveyor, a physician, including a surgeon, an optometrist, a professional engineer, a state certified or state licensed real estate appraiser, or a registered nurse."

## XIV. SOLE SOURCE PURCHASES (EXEMPT FROM SEALED COMPETITIVE PROCESS)

Sole-source purchases are items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies as defined by local government code. When a department has identified a specific item with unique features or characteristics essential and necessary to the requesting department and no alternate products are available, a written justification must be provided to the Finance Department upon purchase. The legislature exempted certain items from sealed bidding in the *Vernon's Texas Codes Annotated - Local Government Code Section 252.022 (a) 7*, in part:

A. Items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies;

B. films, manuscripts, or books;

C. gas, water and other utility services;

D. capital replacement parts or components for equipment;

E. books, papers, and other library materials for a public library that are available only from the person holding exclusive distribution rights to the materials; and

F. management services provided by a nonprofit organization to a municipal museum, park, zoo, or other facility to which the organization has provided significant financial or other benefits.

## XV. EMERGENCY PURCHASES (EXEMPT FROM SEALED COMPETITIVE PROCESS)

Valid emergencies are those that occur as a result of the breakdown of equipment, which must be kept in operation to maintain the public's safety or health, or whose breakdown would result in the disruption of City operations. When this situation occurs, the department shall contact the Finance Department to conduct the procurement of supplies and services. The Legislature exempted certain items from the competitive sealed process in the *Texas Local Government Code Section 252.022(a)*, including, but not limited to:

A. A procurement made because of a public calamity that requires the immediate appropriation of money to relieve the necessity of the municipality's residents or to preserve the property of the municipality;

B. A procurement necessary to preserve or protect the public health or safety of the municipality's residents;

C. A procurement necessary.

## XVI. INELIGIBLE VENDORS

A. An ineligible vendor shall not be allowed to conduct business until:

1) Financial arrears are paid in full.

2) Inappropriate practices are corrected.

3) Vendors have satisfied any and all penalties imposed by the City.

4) If applicable, a listing of ineligible vendors will be developed and distributed annually by the Finance Department to all other departments, unless a greater frequency is determined by the Director of Finance.

5) At the recommendation of a User Department, the Finance Department may declare a vendor ineligible if it has failed to comply with the terms of a previous award, specifications of a bid or conducted inappropriate business practices.

6) The penalty imposed may be for a period of up to twelve (12) months during which time bids submitted by such vendor shall not be considered.

7) A penalty greater than twelve (12) months due to the severity of the infraction requires the approval of the City Manager or designee.

B. The City of Kennedale reserves the right to change, modify, amend, revoke or rescind all or part of this policy in the future.

## XVII. AUDIT OF DEPARTMENTAL RECORDS

The Finance Department may audit User Department purchasing files to ensure compliance with the procedures described herein.

## ~~XVIII. ANNUAL REVIEW~~

~~The Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.~~

**APPENDIX A**

CITY OF KENNEDALE, TEXAS
PURCHASING MATRIX

| ***PURCHASE*** | ***$0 - $3,000.00*** | ***$3,000.01 - $24,999.99*** | ***$25,000 & Above*** |
|---|---|---|---|
| ***SIGNATURES REQUIRED*** | ▪ Department Head | ▪ Department Head<br>▪ City Manager | ▪ City Manager<br>▪ City Council |
| ***PURCHASE ORDER*** | ▪ Not Required<br>▪ Only If Vendor Needs | ▪ Not Required<br>▪ Only If Vendor Needs | ▪ Not Required<br>▪ Only If Vendor Needs |
| ***LEGAL REQUIREMENT*** | ▪ N/A | ▪ Three (3) Quotes<br>▪ Two (2) Of Three (3) Quotes Must Be HUB Vendors In Tarrant County<br>▪ If HUB(s) not listed, City Is Exempt | ▪ Competitive Bid Or<br>▪ Competitive Proposal |
| ***EXEMPT FROM LEGAL REQUIREMENT*** | ▪ N/A | ▪ Cooperative Programs Purchases<br>▪ Sole Source Purchases<br>▪ Emergency Purchases<br>▪ Professional Service Purchase | ▪ Cooperative Programs Purchases<br>▪ Sole Source Purchases<br>▪ Emergency Purchases<br>▪ Professional Service Purchase **- MUST USE REQUEST FOR QUALIFICATIONS PROCESS. REFER TO SECTION XIII.** |
| ***MINIMUM PAYMENT DOCUMENT(S)*** | ▪ Pay Request<br>▪ Invoice (Not Quote)<br>▪ Applicable Receipts<br>▪ Backup Documents | ▪ Pay Request<br>▪ Invoice (Not Quote)<br>▪ Applicable Receipts<br>▪ Backup Documents | ▪ Pay Request<br>▪ Invoice (Not Quote)<br>▪ Applicable Receipts<br>▪ Backup Documents |
| ***PAYMENT TERMS*** | ▪ TX Prompt Payment Act (No Later 30 Days) | ▪ TX Prompt Payment Act (No Later 30 Days) | ▪ TX Prompt Payment Act (No Later 30 Days) |
| **Cooperative Programs (Approved Annually As Of 10/03/12):** US General Services Administration (GSA), Department of Information Resources (DIR), Texas Building and Procurement Commission (TBPC), Texas Multiple Award Schedules (TXMAS), Texas Procurement and Support Services (TPASS), City of Fort Worth Cooperative Purchasing Program, Parker County Cooperative Purchasing Program, Tarrant County Cooperative Purchasing Program, Texas Interlocal Purchasing System (TIPS), Houston-Galveston Area Council (H-GAC), Local Government Purchasing Cooperative (BuyBoard), The Cooperative Purchasing Network (TCPN), US Communities and Western States Contracting Alliance. | | | |

**APPENDIX B**

CITY OF KENNEDALE, TEXAS
HISTORICALLY UNDERUTILIZED BUSINESS (HUB) PROCEDURES

Excerpts from the Texas Local Government Code, Chapter 252, Subchapter B:

A. Section 252.0215, " A municipality, in making an expenditure of **more than $3,000 but less than $50,000**, shall contact at least two historically underutilized businesses on a rotating basis, based on information provided by the comptroller pursuant to Chapter 2161, Government Code. If the list fails to identify a historically underutilized business in the county in which the municipality is situated, the municipality is exempt from this section."

B. Centralized Master Bidders List & Historically Underutilized Business (HUB) Search

1) Go to http://www.window.state.tx.us/procurement/cmbl/cmblhub.html
2) Click "HUBS on CMBL."
3) Enter "Class Code, Item Code, District" if available. Description of each is provided by clicking on link directly below.
4) Select "Tarrant" on Texas County dropdown list.
5) Click "Submit Search."
6) Select appropriate Output Fields on "Select Fields For Detail List" page.
7) Click "Go."
8) Results will appear.

**RESOLUTION NO. ____**

**A RESOLUTION ADOPTING AN AMENDED CITY OF KENNEDALE PURCHASING POLICY**

**WHEREAS,** on November 13, 2008, the City Council adopted the document entitled, "Purchasing Policy," as guidelines for future City procurement; and

**WHEREAS**, a Purchasing Policy establishes standard practices and procedures to create uniformity, economy, efficiency and effectiveness in our purchasing program; and

**WHEREAS**, the City Council has reviewed the City's Purchasing Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

The City Council of the City of Kennedale, Texas hereby approves the Purchasing Policy dated June 18, 2018, attached hereto as "Exhibit A."

**PASSED, ADOPTED AND APPROVED** by the City Council of the City of Kennedale, Texas, this the 18th day of June, 2018.

APPROVED:

__________________________
Mayor, Brian Johnson

ATTEST:

______________________________
City Secretary, Leslie Galloway

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** REQUIRED APPROVAL ITEMS (CONSENT) - P.

---

**I. Subject:**
Consider Resolution 536 adopting an amended City of Kennedale Unclaimed Property Policy

**II. Originated by:**

Finance Director

**III. Summary:**
All financial institutions, businesses, government entities, and organizations that are holding abandoned property belonging to Texas residents should file a report with the Texas Comptroller's office. Title 6 of the Texas Property Code governs the State of Texas Unclaimed Property Program. Chapters 72 through 75 apply to the reporting, delivery and claims process for abandoned property. Chapter 76 applies specifically to unclaimed property held and reported by Texas counties, municipalities, independent school districts and junior colleges.

The aim of the Unclaimed Property Policy is to guide the City of Kennedale in the required annual review of its records and reporting of all tangible and intangible property presumed abandoned that is held or is owed in the ordinary course of Kennedale's business and remained unclaimed by the owner for more than a specified period of time after it became payable or distributable.

**The recommended changes to this policy are:**

All Policies Except Investment

We removed requirement to approve annually. The annual requirement to recommend changes to existing policies is an unnecessary burden upon staff time. We will continue to review the policies annually and recommend changes if appropriate. The annual review of the investment policy is a state requirement.

Financial Management Policy

We deleted the Fund Balance and the Cash Management sections because we have separate policy documents covering both of those items. Instead of having similar information in two different places, we believe it best to have the Fund Balance Policy and the Internal Controls & Cash Handling Policies be the one-stop shop for those items. We did not want there to be an instance where one policy gets amended when the other does not--if that happens, we could end up with conflicting policy documents.

Fraud Policy

We created a hierarchical list in case top management is the target of suspected fraud. We wanted to provide staff with clear direction to report if they are aware of any irregularities.

Fund Balance Policy

We extended the 18% minimum requirement to all operating funds to be in line with the spirit of the policy.

Grant  Submission Policy

We added language asking staff to factor in reporting costs when considering grant applications.

Internal Controls and Cash Handling Policy

Upon recommendation from an outside source, added greater segregation of duties and clarified the cash handling policy to allow greater protection for city employees and city funds.

Investment Policy

We updated the policy with recent changes to state law regarding training requirements. In addition, allowed for slightly more aggressive investment of city cash.

Procurement Card Program Policy

We added language allowing us to switch vendors if it benefits the city.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | 201806 Unclaimed Property Policy | 201806 Unclaimed Property Policy.pdf |
| 2. | Resolution | Resolution.doc |

# CITY OF KENNEDALE

KENNEDALE
Finance Department

# UNCLAIMED PROPERTY POLICY

**ORIGINALLY ADOPTED BY CITY COUNCIL: NOVEMBER 17, 2011**

## PREFACE

The aim of the Unclaimed Property Policy is to guide the City of Kennedale in the required annual review of its records and reporting of all tangible and intangible property presumed abandoned that is held or is owed in the ordinary course of Kennedale's business and remained unclaimed by the owner for more than a specified period of time after it became payable or distributable.

~~It is our intent to bring forth this policy to Council for review at least annually. In order to demonstrate that review, it will be custom practice for the governing board of a municipality to adopt a resolution to make the review an official public record.~~

## SUBSEQUENT REVIEW & ADOPTION

OCTOBER 3, 2012
OCTOBER 10, 2013
OCTOBER 13, 2014
OCTOBER 19, 2015
OCTOBER 17, 2016
JUNE 18, 2018

## I. BACKGROUND

All financial institutions, businesses, government entities, and organizations that are holding abandoned property belonging to Texas residents should file a report with the Texas Comptroller's office. Title 6 of the Texas Property Code governs the State of Texas Unclaimed Property Program. Chapters 72 through 75 apply to the reporting, delivery and claims process for abandoned property. Chapter 76 applies specifically to unclaimed property held and reported by Texas counties, municipalities, independent school districts and junior colleges.

Unclaimed property can be any financial asset that appears to have been abandoned by the owner, such as the following:

- Uncashed dividends, payroll, cashier's checks;
- Stocks, bonds, mutual fund accounts;
- Utility deposits and other refunds;
- Bank accounts and safe deposit box contents;
- Insurance proceeds;
- Mineral interest or royalty payments; and/or
- Court deposits, trust funds, escrow accounts.

The abandonment period is the number of years that an entity holds the property before sending it to the state Comptroller's office. The property type determines the length of the abandonment period.

The City of Kennedale recognizes its responsibility to make a good faith effort to determine the whereabouts of the owner of property, and also recognizes that there are limits to what can be done to locate the rightful owner of property.

## II. POLICY

On an annual basis, the City of Kennedale is required to review its records and determine whether it is holding any funds, securities or other property that has been unclaimed for the required dormancy period, and to report and remit these unclaimed funds to the State of Texas.

## III. LEGAL REQUIREMENTS

A. Property is classified as unclaimed if it has reached the required abandonment period as of March 1st each year. The City must hold property until the appropriate abandonment period has run, and if property is determined to be unclaimed after this date, it must be included in the next annual remittance to the State.

1) The abandonment period is determined by the property type. For more specific detail, refer directly to the Texas Comptroller of Public Accounts: Unclaimed

Property Reporting Instructions. Instructions are subject to change due to new or revised requirements, so annual review of this manual is required.

B. Prior to remitting property to the Comptroller's Office as described below, the City must mail a written notice to the owner on property valued at **more than $250.00** no later than <u>May 1st</u> of the year in which the property is classified as unclaimed per Section 74.1011 of the Texas Property Code. This notice requirement does not apply if a letter has already been mailed to the missing owner earlier in the abandonment period. For sample letter, refer directly to the Texas Comptroller of Public Accounts: Unclaimed Property Reporting Instructions. Instructions are subject to change due to new or revised requirements, so annual review of this manual is required.

C. Property that is valued at **more than $100.00** will be delivered, along with the required report form(s), to the State Comptroller's Office by <u>July 1st</u> **following** the date the property is classified as unclaimed. Should the City not have unclaimed property individually valued at more than $100, there is no report required.

1) Property that is due July 1st may be remitted any time after the annual cut-off date of March 1st and before July 1st.

D. Per Chapter 74 of the Texas Property Code, property that is valued at **less than $100.00** will be retained by the City.

1) Per Title 6, Chapter 76 of the Texas Property Code, the City shall publish a notice in its official newspaper (general circulation in the jurisdiction of the holder) <u>on or before July 1st</u> in the calendar year **immediately following** the year in which the property report is filed. For example: Notices for property classified as unclaimed on March 1, 2015 must be published by July 1, 2015.

2) At a minimum, the owner's name and last known address must be listed.

3) If at all possible, the City will also include this notice on its official website.

4) While the City is required to publish a notice, it may elect to advertise only those properties with a value greater than a specified amount of its choosing (i.e,. greater than $50.00 but less than $100.00). For the City's purposes, the Finance Department will include **all** property valued at $50.00 to $99.99.

## IV. CLAIMS PROCESS

A. There is no statute of limitation on filing a claim.

B. Claimants must fill out a claim form and present proof of ownership.

C. Within **90 days** from the date of receiving the returned claim form, the Finance Department will determine in good faith if the claim is valid. If the claim is valid, the City will pay the full amount of the claim.

D. If the claim is determined to be invalid, it will be rejected. The claimant may appeal this decision in accordance with Section 76.504 of the Texas Property Code.

## V. ACCOUNTING

A. For property, which is valued at **less than $100.00** and retained by the City, the Finance Department will transfer funds from the City's operating funds to the Unclaimed Property Fund on or before March 1st for property classified as unclaimed.

   1) Finance Department must void account payable entries code to a liability account in Unclaimed Property Fund versus hitting an expense line item.

B. The Finance Department will transfer all funds retained by the City on **an annual basis**. This transfer will be conducted from the Unclaimed Property Fund to the General Fund. The General Fund will then become responsible for paying a valid claim should a valid claim be submitted.

   1) This action will clear out the liability account in the Unclaimed Property Fund and provide revenue to the General Fund.

C. All publication and postage expenditures will be charged to Finance Department within the General Fund. These items are budgeted annually.

D. For the purpose of simplicity, the Unclaimed Property Fund is not allocated earned interest. The City is not obligated to pay interest to a claimant. Only the original amount of the unclaimed property will be paid to the claimant.

## ~~VI. ANNUAL REVIEW~~

~~The Director of Finance shall, at a minimum, submit proposed amendments of this policy to the City Council annually.~~

# RESOLUTION NO. ____

## A RESOLUTION ADOPTING AN AMENDED CITY OF KENNEDALE PURCHASING POLICY

**WHEREAS,** on November 13, 2008, the City Council adopted the document entitled, "Purchasing Policy," as guidelines for future City procurement; and

**WHEREAS**, a Purchasing Policy establishes standard practices and procedures to create uniformity, economy, efficiency and effectiveness in our purchasing program; and

**WHEREAS**, the City Council has reviewed the City's Purchasing Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

The City Council of the City of Kennedale, Texas hereby approves the Purchasing Policy dated June 18, 2018, attached hereto as "Exhibit A."

**PASSED, ADOPTED AND APPROVED** by the City Council of the City of Kennedale, Texas, this the 18th day of June, 2018.

APPROVED:

_________________________
Mayor, Brian Johnson

ATTEST:

_____________________________
City Secretary, Leslie Galloway

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## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** DECISION ITEMS - A.

---

**I. Subject:**
Consider appointment of a Mayor Pro Tem

**II. Originated by:**

Leslie Galloway, City Secretary & Communications Coordinator

**III. Summary:**
At this time the Council will consider appointing a member to serve as Mayor Pro Tem.

---

**CITY OF KENNEDALE, TEXAS HOME RULE CHARTER 1997**
*from Section 3.03 Mayor and Mayor Pro Tem*
The City Council shall elect one of its members Mayor Pro Tem. The Mayor Pro Tem shall act as Mayor in the absence of the Mayor and shall have the same duties and power as the Mayor, except veto power. The Mayor Pro Tem shall retain the right to vote as a Council member.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

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## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** DECISION ITEMS - B.

---

**I. Subject:**
Appoint members to the 2018-2019 Youth Advisory Council (YAC)

**II. Originated by:**

Leslie Galloway, City Secretary & Communications Coordinator

**III. Summary:**
At this time, Council may appoint members to the 2018-19 Youth Advisory Council (YAC). There are 15 seats on this board. The applications are attached to the related Work Session item. Staff recommends all presented applicants for approval.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

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# Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** DECISION ITEMS - C.

**I. Subject:**
Consider approval of Resolution 526 authorizing publication of notice of intention to issue certificates of obligation

**II. Originated by:**

Brady Olsen, Finance Director

**III. Summary:**
Mark McLiney from SAMCO Capital will be providing a high level overview of the CO process, the current market, and the city's current indebtedness. The proposed level of debt can be supported in the current budget and will allow the City to address several outstanding capital needs in streets, water, sewer, and stormwater. We do not need a finalized list of projects at this time, but they will be related to the prior capital needs presentation.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**
Approve

**VII. Alternative Actions:**

**VIII. Attachments:**

| | | |
|---|---|---|
| 1. | R526_Notice of Intent to Issue Debt 2018 | R526_Notice of Intent to Issue Debt 2018.pdf |
| 2. | Kennedale COs 2018 Timetable | Kennedale COs 2018 Timetable.pdf |

**State of Texas** §
**County of Tarrant** §
**City of Kennedale** §

I, the undersigned City Secretary of the CITY OF KENNEDALE, TEXAS (the "***City***") do hereby certify as follows:

1. The City Council of the City (the "***City Council***") convened in a Regular Meeting on June 18, 2018, at the City Hall (the "Meeting"), and the roll was called of the duly constituted officers and members of the City Council, to wit:

Brian Johnson, Mayor
Jan Joplin, Mayor Pro Tem, Council Member Place 5
Rockie Gilley, Council Member Place 1
Chris Pugh, Council Member Place 2
Sandra Lee, Council Member Place 3
Linda Rhodes, Council Member Place 4

and all of said officers and members of the City Council were present, except the following absentees: NONE, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

**RESOLUTION AUTHORIZING PUBLICATION OF NOTICE OF INTENTION TO ISSUE CERTIFICATES OF OBLIGATION**

(the "**Resolution**") was duly introduced for the consideration by the City Council. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, said motion carrying with it the adoption of the Resolution prevailed and carried by the following vote:

AYES: _______ NOES: _______ ABSTENTIONS: _______

2. A true, full, and correct copy of the Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; the Resolution has been duly recorded in the City Council's minutes of the Meeting; the above and foregoing paragraph is a true, full and correct excerpt from the City Council's minutes of the Meeting pertaining to the passage of the Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the City Council, as indicated therein; each of the officers and members of the City Council was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting, and that the Resolution would be introduced and considered for passage at the Meeting, and each of said officers and members consented, in advance, to the holding of the Meeting for such purpose; and the Meeting was open to the public and public notice of the time, place, and purpose of the Meeting was given, all as required by Chapter 551, Texas Government Code.

**SIGNED AND SEALED**, this the 18th day of June, 2018.

**ATTEST:**

___________________________________________

**LESLIE GALLOWAY, CITY SECRETARY**
**DOCUMENT CUSTODIAN / RECORDS MANAGEMENT OFFICER (RMO)**

# RESOLUTION NO. 526

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS, AUTHORIZING PUBLICATION OF NOTICE OF INTENTION TO ISSUE CERTIFICATES OF OBLIGATION.**

**WHEREAS**, the City Council of the CITY OF KENNEDALE, TEXAS (the "***City***") hereby determines that it is necessary and desirable to: (i) construct street improvements in various locations in the City together with curbs, gutters, sidewalks, utility relocation, and/or drainage improvements related or incidental thereto, (ii) construct additional drainage improvements unrelated to the aforementioned street improvements, (iii) construct or make repairs, extensions, additions, and/or improvements to and acquire and install equipment related to the City's waterworks and sewer system, and (iv) pay all or a portion of the legal, fiscal, and engineering fees in connection therewith (collectively, the "***Projects***"); and

**WHEREAS**, the City Council of the City intends to finance the Projects from proceeds derived from the sale of a series of *Combination Tax and Revenue Certificates of Obligation* issued by the City pursuant to Sections 271.041 – 271.064, Texas Local Government Code, as amended; and

**WHEREAS**, pursuant to Section 271.049, Texas Local Government Code, the City Council deems it advisable to give notice of intention to issue certificates of obligation in an amount not to exceed an aggregate of *$4,200,000* for the purpose of paying, in whole or in part, the Projects, and to pay the costs of issuance related to the certificates of obligation; and

**WHEREAS**, it is hereby officially found and determined that the meeting at which this resolution was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:**

**SECTION 1. APPROVAL OF NOTICE OF INTENTION.** Attached hereto is a form of the "*Notice of Intention to Issue Combination Tax and Revenue Certificates of Obligation*," the form and substance of which is hereby adopted and approved.

**SECTION 2. AUTHORIZATION TO PUBLISH NOTICE OF INTENTION.** The City Secretary shall cause said notice to be published in substantially the form attached hereto in a newspaper, as defined by Subchapter C, Chapter 2051, Government Code, that is of general circulation in the area of the City, on the same day in each of two consecutive weeks, the date of the first publication thereof to be before the $30^{th}$ day before the date tentatively set for the passage of the ordinance authorizing the issuance of such certificates of obligation as shown in said notice. The City Manager and the Finance Director are each authorized to make changes to said Notice as necessary prior to its publication.

**SECTION 3. INCORPORATION OF RECITALS.** The City Council hereby finds that the statements set forth in the recitals of this Resolution are true and correct, and the City Council hereby incorporates such recitals as a part of this Resolution.

**SECTION 4. EFFECTIVE DATE.** This Resolution shall become effective immediately upon passage.

**DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE ON THE 18th DAY OF JUNE, 2018.**

**APPROVED:**

____________________________________
**MAYOR, BRIAN JOHNSON**

[ C I T Y  S E A L ]

**ATTEST:**

____________________________________
**CITY SECRETARY, LESLIE GALLOWAY**

## CITY OF KENNEDALE, TX
## RESOLUTION NO. 526

## Exhibit "A"

CITY OF KENNEDALE, TEXAS
NOTICE OF INTENTION TO ISSUE COMBINATION TAX
AND REVENUE CERTIFICATES OF OBLIGATION

The City Council of the City of Kennedale, Texas (the "City") does hereby give notice of intention to issue one or more series of *City of Kennedale, Texas Combination Tax and Revenue Certificates of Obligation* in the maximum aggregate principal amount not to exceed $*4,200,000* for the purpose of paying, in whole or in part, contractual obligations to: (i) construct street improvements in various locations in the City, together with curbs, gutters, sidewalks, utility relocation and/or drainage improvements related or incidental thereto, (ii) construction additional drainage improvements unrelated to the aforementioned street improvements, (iii) construct or make repairs, extensions, additions, and improvements to, and acquire and install equipment related to the City's waterworks and sewer system, (iv) pay all or a portion of the legal, fiscal and engineering fees in connection therewith and (v) pay the costs of issuance related to the Certificates of Obligation. The City proposes to provide for the payment of such Certificates of Obligation from the levy and collection of ad valorem taxes in the City as provided by law and from a lien on and pledge of "Surplus Revenues", if any, received by the City from the ownership and operation of the City's waterworks and sewer system. The City Council proposes to authorize the issuance of such Certificates of Obligation at 7:00 p.m. on Monday, August 20, 2018, at a Regular Meeting, at the City Hall, Kennedale, Texas. /s/ Brian Johnson, Mayor, City of Kennedale, Texas

$4,200,000*
CITY OF KENNEDALE, TEXAS (THE "CITY")
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2018 (THE "OBLIGATIONS")

**June**

| S | M | T | W | T | F | S |
|---|---|---|---|---|---|---|
| | | | | | 1 | 2 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
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**July**

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| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

**August**

| S | M | T | W | T | F | S |
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**September**

| S | M | T | W | T | F | S |
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| 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | | | | | | |

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| | |
|---|---|
| **Monday, June 18, 2018** | **City Council meets to authorize the Notice of Intention Resolution ("NOI") to issue the Obligations and a Reimbursement Resolution** |
| Tuesday, June 19, 2018 | SAMCO Capital Markets Inc. ("SAMCO") sends the City the Request for Information ("RFI") |
| **Friday, June 22, 2018** | **First publication of the NOI in City's paper of record** |
| Tuesday, June 26, 2018 | City returns the RFI to SAMCO |
| **Friday, June 29, 2018** | **Second publication of the NOI in City's paper of record** |
| Monday, July 9, 2018 | First draft of the Notice of Sale ("NOS") and the Preliminary Official Statement ("POS") sent to Bond Counsel |
| Monday, July 16, 2018 | Comments due on the first draft of the NOS/POS |
| Monday, July 23, 2018 | Second draft of NOS/POS sent to City, Bond Counsel and Rating Agency |
| Week of July 30, 2018 | Hold Rating Call with the City and Rating Agency |
| Thursday, August 2, 2018 | Comments due on the second draft of the NOS/POS |
| Wednesday, August 8, 2018 | Post NOS/POS to the Municipal Advisory Council |
| Monday, August 13, 2018 | Post the NOS/POS to PostOS and email link to working group |
| | Rating due back |
| **Monday, August 20, 2018** | **Bids due at 12 noon (Central Time);** |
| | **6p.m. City Council authorizes the issuance of the Obligations at a competitive sale.** |
| Wednesday, September 19, 2018 | Obligations Closing; Funds wired to the City's depository bank |

## Staff Report to the Honorable Mayor and City Council

**Date:** June 18, 2018

**Agenda Item No:** EXECUTIVE SESSION - A.

---

**I. Subject:**
Briefing on Arlington Water Contract

**II. Originated by:**

**III. Summary:**
At this time, Council may meet in Closed Session.

**IV. Fiscal Impact Summary:**

**V. Legal Impact:**

**VI. Recommendation:**

**VII. Alternative Actions:**

**VIII. Attachments:**