CITY OF HUNTSVILLE, TEXAS
Russell Humphrey, Mayor

Jon Strong, Ward 4, Chairman
Karen Denman, At-Large Position 2

Vicki McKenzie, At-Large Position 3
Pat Graham, At-Large Position 4

CITY COUNCIL FINANCE COMMITTEE AGENDA
TUESDAY, NOVEMBER 18, 2025, 8:00 AM

Huntsville City Hall, 1220 11th Street, Huntsville, Texas, 77340

Persons with disabilities who plan to attend this meeting and may need auxiliary aids or services are requested to contact the City Secretary's office (936.291.5413) two working days prior to the meeting for appropriate arrangements.

1 CALL TO ORDER

2 DISCUSSION/CONSIDERATION

The Finance Committee will hear presentations, discuss, and may consider recommendations to the City Council on the following items.

a Consider the minutes of the October 21, 2025, Finance Committee meeting.
Lance Hall, Finance Director

b Budget Amendments
Lance Hall, Finance Director

c Consider proposed change to Purchasing Policies - vote by Committee needed
Lance Hall, Finance Director

d Consider proposed change to City of Huntsville Code of Ordinances, Chapter 2
Lance Hall, Finance Director

e Discussion of Fiscal Policies with proposed changes
Lance Hall, Finance Director

3 ADJOURNMENT

CERTIFICATE

I do hereby certify that the above notice was posted on the City Hall bulletin board, a place convenient and readily accessible to the general public at all times, and to the City's website, www.HuntsvilleTX.gov, in compliance with Chapter 551, Texas Government Code.

DATE OF POSTING: November 12, 2025
TIME OF POSTING: 3:15 p.m.
TAKEN DOWN:

Sharon Schultz
Sharon Schultz, Deputy City Secretary

CITY COUNCIL FINANCE COMMITTEE AGENDA

11/18/2025

Agenda Item Number: 2.a.

Agenda Item: Consider the minutes of the October 21, 2025, Finance Committee meeting.

Initiating Department/Presenter: Finance

Presenter:
Lance Hall, Finance Director

Discussion: Consider the minutes from the Finance Committee meeting on October 21, 2025.

Financial Implications:

Associated Information:
1. Fin Comm Minutes 10.21.2025

Finance Committee Minutes

October 21, 2025

Members' Present: Jon Strong, Vicki McKenzie, Karen Denman, and Pat Graham

Staff Present: Scott Swigert, Sam Maisel, Lance Hall

The agenda items discussed were:

- Approved the minutes of the August 19, 2025, meeting.

- Lance discussed the Budget Amendments for the FY 24-25 – (PEB Reimbursement).

- Lance discussed the Budget Amendments for the FY 25-26
    - Computer Equipment Fund -AV Equipment for New City Hall
    - Rifle-Resistant Body Armor
    - Airport Road Realignment project
    - Carry Overs from FY 25 to FY 26 totaling $5.8M

- Lance discussed the purchasing policy briefly and explained that we were asking for permission to change the purchasing policy limit to the new state threshold from $50K to $100K. We are seeking guidance on our purchasing policy. The policy will be sent to Leonard for review and will be brought back to the Finance committee. The committee has requested that a red-line version be provided. It was pointed out that the entire policy was being rewritten word for word. The purchasing policy will be brought back to the Finance Committee at a later time.

- Lance discussed the Fee Schedule changes that needed to be updated to match the rate study.

CITY COUNCIL FINANCE COMMITTEE AGENDA

11/18/2025

Agenda Item Number: 2.b.

Agenda Item: Budget Amendments

Initiating Department/Presenter: Finance

Presenter:
Lance Hall, Finance Director

Discussion:
Elkins Lake Lift Station #1 Rehabilitation. This project is complete. The Project is short of funds to pay the Final Construction Payment Application. The total final payment will be $77,990.10. $23,673.75 is the retainage that we are holding in account 702-2830, and $54,316.35 is the remaining amount for completed construction items. We would like to transfer funds from Completed Project #702-7191 NB-06 Basin Rehab & Renewal $11,726.20 amount needed to make final payment.

Financial Implications:

Associated Information:
1. BAs EL Rehab Project CC 12.02.2025

Budget Amendments FY 25-26
Finance Committee - November 18, 2025
City Council December 2,2025

Exhibit A

Increase:	Elkins Lift Stn # 1 Rehabilition -Construction	$	11,727
Decrease:	NB-06 Basin Rehab & Renewal -Construction	$	11,727

Explanation:	This budget amendment is requested to transfer funds from a completed project, NB-06 Basin Rehab & Renewal, in the amount of $11,727 (the total remaining budget in this project is $433,382) to the Elkins Lake Lift Station # 1 project. The Elkins Lake Lift Station #1 Rehabilitation project is also complete, but it requires an additional budget of $11,727 to cover the final construction application payment. The total final payment for the Elkins Lake Lift Station #1 Rehabilitation project will be $77,990.10.

CITY COUNCIL FINANCE COMMITTEE AGENDA

11/18/2025

Agenda Item Number: 2.c.

Agenda Item: Consider proposed change to Purchasing Policies - vote by Committee needed

Initiating Department/Presenter: Finance

Presenter:
Lance Hall, Finance Director

Discussion: Texas's new procurement limits for 2025, primarily set by the 89th Legislature's Senate Bill 1173 and House Bill 4747, raise the state and local competitive procurement threshold from $50,000 to $100,000, effective September 1, 2025

Financial Implications:

Associated Information:
1. Procurement Manual - 9-2023
2. Charlsa Suggested Edits of Procurement Manual 2025

PURCHASING HANDBOOK

City of Huntsville

September 1, 2023

Glossary Tab

Glossary of Terms

Addendum: a written instrument issued by the City that modifies or clarifies a solicitation prior to the Due Date.

Annual Blanket/Open Purchase Orders: Purchases made routinely throughout the year and are typically used year to year and in many instances are used city wide. They are fixed price agreement throughout the life of the agreement. This process eliminates the necessity of obtaining multiple POs for the same goods or services, i.e., periodic purchase of sack concrete which is used in multiple departments.

Best Value: An assessment and/or award based on analysis of the total life cycle of the item. Combination criteria which can be used are: price, quality of item, location of responder, safety record of responder, past relationship with responder, and/or any relevant criteria specifically listed.

Bonds:

Bid Bond – A bond required of a contractor that ensure that the contractor will enter into the contract with the City.

Payment Bond – A bond required that ensures that all suppliers and labors of the contract will be paid for goods and services supplied in the course of the contract. Required for all public work projects in excess of $50,000.

Performance Bond – A bond required that guarantees a vendor's performance should the vendor default and/or terminate during the execution of the contract. Required for public work projects in excess of $100,000. (Also called a completion bond)

Capital Assets: Assets which when originally purchased had a value/cost which is over $5,000. A City of Huntsville Addition to Asset Form and asset number are required.

Change Orders: A request to make changes to the contracted scope of work of specifications, primarily due to changes caused by unanticipated conditions, increase or decrease.

Component Purchases: The purchase of individual goods of an item that in the normal purchasing practices would be purchased in one purchase and the original item was previously bid.

Due Date: The date and time specified for receipt of quote/response.

Emergency Purchase: Purchases that are made to meet a critical or unforeseen need of the City, where the City's ability to protect the public's safety and welfare would be impaired if the purchase was not made immediately.

Encumbrance: The process in which the City reserves funds for the purchase of goods or services, in one budgetary accounting period.

Formal Procedure: A solicitation in which the response is to be delivered to the City Secretary's office in a sealed envelope. The solicitation opening is attended by the requesting department and purchasing. City purchases over $50,000 follow the formal procedure.

Historically Underutilized Businesses HUBs: Generally refers to minority, and/or women-owned business. If a purchase is $3,000 or greater but less than $50,000, the department shall contact at least two historically underutilized businesses on a rotation based from information provided by the State Comptroller. If the list fails to identify a HUB in Walker County, the City is exempt.

Informal Procedure: A solicitation in which the response is delivered to the requesting department. The responses may be received electronically, facsimile, and/or delivered.

Individual One Time Purchase: Purchases made at the Department level which is typically purchased one time per fiscal year.

Piggyback Cooperative: a form of an intergovernmental cooperative which an entity will extend the pricing and terms of their contract to another governmental entity.

Professional Services: Services rendered by a person or a firm that requires years of education and service for one to attain competence and which calls for a high order of skill and/or learning. Professional Services include: accounting, architecture, engineering, medial, real estate, and surveyor.

Purchase Order: The City's written document which is submitted to a vendor formalizing all the terms
and conditions of the transaction.

Request for Proposal (RFP): A type of solicitation in which the potential responders make an offer to
the City based on selected criteria. The solicitation is written in the context of best value for the City. The
terms and conditions can be negotiated between the responder and the City.

Request for Qualifications (RFQ): A type of solicitation in which the responder meets the definition of
a Professional Service. Award based on the most qualified responding firm.

Responsible Responder: A responder who is fully capable to meet all the requirements of a solicitation
and/or contract, i.e. a responder who complies with the minimum standards of solicitation.

Responsive Responder: A responder who has submitted a bid/offer which conforms to the requests
within, i.e. a responder who has signed the solicitation document and all the forms included.

Separate Purchases: Purchase of items or services made separately that in normal purchasing practices
would be purchased in one purchase.

Sole Source: Purchases of goods or services that are available from only one supplier.
Subcontractor: Any person or business enterprise providing goods, labor, and/or services to a vendor if
such goods, equipment, labor, and/or services are procured or used in fulfillment of the vendor's obligations arising from a contract with the City.

Term Purchase Order: A type of PO established for a specified time for goods or services.

Value Engineering: A technique by which a contractor may 1) voluntarily suggest methods for performing more economically and may share in any resulting savings 2) be required to establish a
program or identify and submit methods for performing more economically.

Vendor/Contractor: Person or business enterprise providing goods, equipment, labor, and/or services to
the City as fulfillment of obligations from an agreement or purchase order.

Purchasing Policy Tab

City Of Huntsville

Purchasing Policy

Approved
July 3, 2023
Revised July 26, 2016
Revised March 15, 2022
Revised September 1, 2023

FORWARD

This manual contains the policies for purchasing related activities. Its purpose is to provide guidance and instruction for all employees as well as a reference for staff and management.

The purpose of the Purchasing Department is to provide a systematic and efficient procurement and surplus disposition for all City operations, enabling staff to have the necessary equipment and supplies needed to be as efficient as possible in their service to the citizens of Huntsville.

Legal and organization changes, as well as, operational improvements will bring about policy and procedural changes and revisions to this policy. Updates will be issued that reflect these changes in order to keep this policy current. This policy is provided as a white paper in the purchasing office as well as available on the City of Huntsville's internet and intranet.

If you cannot find an answer to your questions(s) or need additional information not found in the policy, please stop by the Purchasing Office or contact us and we will be of assistance. This policy cannot address every situation. When an unusual situation or a difficult legal problem occurs, the City Manager may approve exceptions to this Policy.

Table of Contents

CITY OF HUNTSVILLE PURCHASING POLICY

1.0 Governing Authority

The primary governing authority for the City of Huntsville's Purchasing Policy shall be the City Charter in conjunction with the Local Government Code. All procurement activity shall be governed by the City of Huntsville Purchasing Policy, City Charter, City Fiscal and Budget Policies, and in accordance with applicable state and local government codes.

All purchase approval(s) of the City vest in the City Council, for purchases of $50,000 or more. Authority for purchasing of goods and services is delegated to the City Manager provided the purchase does not exceed $50,000.

To ensure proper oversight, all purchases and requisitions in excess of $25,000 but not more than $50,000 shall be reported to City Council, reference Ordinance 2010-9.

2.0 Purchasing Code of Ethics

We Will:

- Eliminate personal aggrandizement this is dishonest and a misuse of public trust; Eliminate all conflicts of interest; Conduct ourselves in a manner that maintains personal honor and professional integrity; Maintain transparency by communicating all of our operations and actions; Attend technical and professional training to maintain government compliance with all federal, state, and local statutes, rules, and regulations; Eliminate tasks or processes that create a lack of fairness or displays partiality; and Eliminate the acceptance of gifts or making personal purchases based on business relationships, because it is considered dishonest and a misuse of our professional position. • •

3.0 Objectives

The Purchasing Department is responsible for assisting and consulting with City Departments in complying with federal, state and local statutes regulating competitive sealed bids, competitive sealed proposals, professional services, cooperative purchases, emergency and sole/one source purchases. The Purchasing Department shall assist all departments in solicitations in which the total project or individual purchase is in excess of $50,000. The user departments shall make recommendations to the Mayor and City Council.

The Purchasing Department is a functional support department and should be included in all prepurchase planning meetings for purchases less than $50,000. This is to ensure compliance with the State of Texas competitive bid statutes and the City's purchasing policies. The Purchasing staff issues solicitations and purchase order (PO's) in a timely manner. The Purchasing Department will assist at any stage of the purchasing process as requested.

3.1 General Duties of the Purchasing Department

- Observe and enforce the policy and procedures outlined in the City of Huntsville Purchasing Policy or as directed by the City Manager or his/her designee;
- Support, organize and assist departments in the specification writing, so that specifications are written concisely and are not written in an exclusive manner;
- Join with other governmental agencies in cooperative purchasing plans when it is in the best interest of the City;
- Attend formal solicitation pre-opening and opening meetings and assist as requested;
- Act in an advisory role as a non-voting member on evaluation committees;
- Assist in preparing and coordinating solicitation results, with user department director reporting recommended award of competitive solicitations to City Council;
- Combine purchase of similar items whenever possible and practical, to allow for better pricing and establish a more competitive atmosphere;
- Assist department heads in the disposition of scrap materials and properly dispose of City assets and/or property;
- Conduct regular training sessions for staff involved in the purchasing process;
- To recommend to the Director of Finance, City Manager and City Council those policies and/or procedures which are required to safeguard public funds while acquiring goods and services necessary to provide the citizens and vendors with a complete trust of the purchasing process; and
- To ensure responsible vendors are given a fair opportunity to compete for the City's business by using transparent methods and/or practices and by using specifications which encourages competition.

4.0 Competitive Purchasing Requirements

Under no circumstances shall multiple requisitions be used in combination to avoid other applicable bidding requirements or City Council approval.

Historically Underutilized Business, (HUBs) Local Government Code Chapter 252.0215 - Competitive bidding in relation to 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 historically underutilized business on a rotating basis, based on information provided by the comptroller pursuant to Texas Government Code, Chapter 2161. 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.

Refer to Local Government Code 252.0215

4.1 Procedures for Purchases less than $3,000

The user Department Director and/or designee approves all purchases. Purchases can be made utilizing a procurement card, direct billing or with a purchase order.

4.2 Procedures for Purchases of $3,000 to less than $8,000

The Departments are to gain three quotes, either verbal or written. The Department Director must approve all purchase requisitions. The requisition is set to the Purchasing Department for issuance of a purchase order. Once a purchase order is issued, the user department places the order and/or picks up the materials. The Purchasing Department shall assist at any stage of the process as requested.

4.3 Procedures for Purchases of $8,000 to less than $50,000

The user Department Director and/or designee gains three written quotes. The Department Director and City Manager approves all purchase requisitions. The requisition is sent to purchasing for issuance of a purchase order. Once a purchase order is issued the user department places the order and/or picks up the materials. The Purchasing Department shall assist at any stage of the process as requested.

4.4 Procedures for Purchases of $50,000 and over

Unless otherwise exempted by applicable State Law, solicitation whose aggregate total cost is $50,000 or more, must be processed as a competitive solicitation. The purchasing process for all purchases of $50,000 and over must begin with a conference between the Department Director and the Purchasing Manager. Texas Local Government Code, Subchapter B, Section 252.021 defines the requirements for competitive bids. Purchases of $50,000 and over will be taken to City Council as a Financial Transaction. The user Department Director shall be responsible for recommendation and preparation to City Council.

Texas Local Government Code, Section 252.062, states:

a) A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly makes or authorizes separate, sequential or component purchases to avoid the competitive bidding requirements of Section 252.021. An offense under this subsection is a Class B Misdemeanor.
b) A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly violates Section 252.021 other than by conduct described by Subsection (a). An offense under this subsection is a Class B Misdemeanor.
c) A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly violates this chapter, other than by conduct describe by subsection (a) or (b). An offense under this subsection is a Class C Misdemeanor.

4.5 Award Contract

The City of Huntsville shall award based on criteria deemed in the best interest/value of the City.

Texas Local Government Code, Section 252.043, states in part:

a) 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.
b) 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.

4.6 Professional Services

Personal and professional services are exempted from the competitive bidding process, and may be procured through the use of Request for Qualification (RFQ) documents. The Purchasing 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, Professional and Consulting Services: states in part 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:
    - Of demonstrated competence and qualifications to perform the services;
    - For a fair and reasonable price; and
    - May not exceed any maximum provided by law
b) Professional Servies for the purpose of Texas 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 apprising, 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, and land surveyor, a physician, including surgeon, an optometrist or a professional engineer, a state certified or stated licensed real estate appraiser or registered nurse.

4.7 Information Technology

All requests for computer equipment, software, telecommunications and/or related services or supplies should be submitted to the Information Technology (IT) Director for review or technical evaluation. The IT Director will determine compatibility, best source or investigate alternatives and will recommend purchase. No purchase for computer related equipment or supplies are allowed without the IT Director’s approval.

4.8 Grant Funding

All requests for grants ae to be approved by the Neighborhood Resources Director, City Manager and/or City Council. The awarded department is encouraged to contact the Neighborhood Resources Director prior to beginning the purchasing process.

4.9 Cooperative Purchases

Cooperative purchasing occurs when two or more governmental entities coordinate some or all purchasing efforts to gain the best overall value for the entities. Cooperative purchasing can occur through inter-local agreements, state contracts, and/or joint purchases. The Purchasing Department will assist the user departments to determine best method/cooperative for the purchase.

Refer to Local Government code 271 Subchapter D

5.0 General Exemptions

The Sate Legislature has exempted certain items for sealed bidding.

5.1 Emergency Purchases

Valid emergencies are those that occur as a result of an unforeseen breakdown or damage of equipment, procurement necessary to protect the public's safety, health, and/or procurement made due to public calamity. When this situation occurs, the department shall contact the Purchasing Department and conduct the procurement of supplies and services in accordance with the City's Purchasing Policy, City Charter and Texas Local Government Code.

5.2 Sole Source Purchases

Sole-source purchases are items that are available from only one source because of patents, copyrights, secret process or natural monopolies as defined by the 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 alternative products are available, a detailed written justification must be included with the purchase requisition along with the Department Director approval.

Refer to Local Government Code 252.022 (a) 7 for sole source purchases.

Refer to Local Government Code 252.022 for a complete listing for General Exemptions.

6.0 Sale or Lease of Real Estate

a) Statutory and other authority
   Local Government Code Section 272
   City Charter Section 14.12, 14.13(a) & (b)
b) Purpose
   To provide procedures and guidelines for the sale or lease of real estate for members of the City Council, City Management and the public.
c) Glossary
   Real Estate: Land and its permanently affixed buildings or structures.
d) General provisions

1. Delegation of Authority: Except as otherwise provided in the policy, the City Council delegates to the City Manager authority to manage and maintain all real estate owned or controlled by the City.
2. The City Manager or designee is responsible for ensuring care, maintenance, safekeeping, deeds and/or inventory of all real estate.
3. No public park shall be sold or any part thereof, until the question of such sale has been submitted to a vote of qualified voters of the City and approved by a majority of the votes cast at such election. (Reference City Charter Section 14.13 (a))
4. Only City Council can approve the sale or lease of real estate.

e) Sale of real estate
   1. The City Manager shall present to City Council notification of intent to sell real estate twenty-one (21) calendar days prior to beginning procedures for sale of real estate. Should a City Council member have objection, the City Manager is to be notified in writing. A Council Member agenda item may be placed for council consideration and action at the next available council meeting. Should there be no written objections the City Manager has authority to implement procedures for sale on the 22nd calendar day.
   2. All real estate must be sold at no less than fair market value. Fair Market Value is determined by an independent appraisal.
   3. The solicitation must be an Invitation for Bid with the award based highest price/offer.
   4. The Purchasing Department shall place notice for the sale of real estate in the City's official newspaper, on the City's Website and when possible place for sale signs on the property. This notice shall be published each publication day for two consecutive weeks in the City's official newspaper. The sale cannot be completed until after the 14th day after the date of the last publication. This does not prohibit the City from sending notifications via email or delivery service. (Reference City Charter 14.13 (b)).
   5. The notice for sale of real property shall include description of property, location of property, procedures for sealed bids to be received, opening procedures, date, time, and location of opening.
   6. Procedures for acceptance of response which must be outlined in the Invitation for Bid are:
      1. The City reserves the right to accept or reject any or all responses.
      2. All responses must be received in a sealed envelope addressed to Attention City Secretary, City Hall. Electronic responses will not be accepted.
      3. Must include date, time and location of opening.
      4. Should less than 2 responses be received by the published date and time of opening, the opening shall be automatically extended for a minimum of 24 hours. Notification of date and time extension shall be issued by an

addendum as soon as possible. At no time during the extension period shall any responses be opened until all time has expired. After the revised opening date and time the City Manager has the authority to issue a 2nd extension addendum or open responses.

5. This does not prohibit sale of property to take place during a live auction.
6. All mineral rights are to be retained by the City and shall not be sold unless approved by City Council.
7. The City Manager will recommend final sale or rejection of all responses to City Council for action.

f) Lease of real estate

1. The City Manager shall present to City Council notification of intent to lease of real estate twenty-one (21) calendar days prior to beginning procedures for lease of real estate. Should a City Council member have objection, the City Manager is to be notified in writing. A Council Member agenda item may be placed for council consideration and action at the next available council meeting. Should there be no written objections the City Manager has authority to implement procedures for lease on the 22nd calendar day.
2. The solicitation must be a Request for Proposal with the award based on the best value for the City.
3. The Purchasing Department shall place notice for the lease of real estate in the City's official newspaper, on the City's Website and when possible place for lease signs on the property. This notice shall be published each publication day for two consecutive weeks in the City's official newspaper and the lease cannot be completed until after the 22nd day after the date of the least publication. This does not prohibit the City for sending notifications via email or delivery service. (Reference City Charter 14.13 (b)).
4. The notice for lease of real estate shall include description of property, location of property, procedures for seal proposals to be received, opening procedures, date, time, and location of opening.
5. Procedures for acceptance of response which must be outlined in the Request for Proposal are:
    1. The City reserves the right to accept or reject any or all responses
    2. All responses must be received in a sealed envelope addressed Attention City Secretary, City Hall. Electronic responses will not be accepted.
    3. Must include date, time and location of opening.
    4. Should less than 2 responses be received by the published date and time of opening, the opening shall be automatically extended for a minimum of 24 hours. Notification of date and time extension shall be issued by an addendum as soon as possible. At no time during the extension period shall any responses be opened until all time has expired. After the revised opening date and time the City Manger has authority to issue a 2nd extension addendum or open responses.

6. The City Manager is to recommend acceptance or rejection of all responses to City Council for action.

g) Lease of mineral rights

1. No City owned property or any part thereof shall be leased for the purpose of prospecting for mining, drilling or producing oil, gas, or other minerals unless such lease agreement specifically provides that the City shall retain a royalty interest equivalent to at least on-eight of the total production of such oil, gas, or other minerals. (Reference City Charter Section 14.12)
2. The City Manager is to negotiate and recommend all mineral rights leases to City Council for action.

7.0 Purchasing Procedures Handbook

The Purchasing Procedures Handbook contains expanded explanation and procedures for accomplishing the procurement of goods and services in accordance with this policy. The Purchasing Manager maintains responsibility for updating the Purchasing Procedures Handbook in accordance with the applicable State and Local Government Codes, City Charter and Purchasing Policy as approved by City Council

Purchasing Card Program Tab

City of Huntsville
Purchasing Card Program

Cardholder Manual and Agreement

Updated July 1, 2005

Table of Contents

CITY OF HUNTSVILLE

PURCHASING CARD CARDHOLDER AGREEMENT

Requirements for Use

The Purchasing Card is to be used only to make purchases at the request of and for the legitimate business benefit of the City of Huntsville.

The Purchasing Card must be used in accordance with the provisions of the Purchasing Card Program Cardholder Manual and in accordance with the Purchasing policies and procedures established by the City of Huntsville.

Violations of these requirements may result in revocation of use privileges and/or disciplinary actions, up to and including TERMINATION of employment. Employees who are found to have inappropriately used the Purchasing Card will be required to reimburse the Organization for all costs associated with such improper use.

Purchasing Card Account Number: ______________________________

Monthly Limitations: ______________________________

Received By: ______________________________

Cardholder Signature: ______________________________

Date: ______________________________

Purchasing Card Administrator

CITY OF HUNTSVILLE PURCHASING CARD PROGRAM

CARDHOLDER MANUAL

(Revised July 1, 2005)

1. INTRODUCTION

The City of Huntsville has implemented a Purchasing Card Program as part of its continuing effort to improve service while reducing costs. A number of unique controls have been developed for the Purchasing Card Program. These controls help ensure that the card will be used only for official City purchases and within specific dollar limits. This Cardholder Manual has been developed to assist you in understanding both the Purchasing Card Program and your responsibilities as a Cardholder.

2. WHAT IS THE PURCHASING CARD?

The Purchasing Card is a credit card issued under the state purchasing agreement. It is a fast, flexible new purchasing tool which offers an alternative to the existing purchasing processes and provides an efficient and effective method for purchasing and paying for small dollar items. **The purchasing card is not to be used for purchases of $1,000 or more unless approval is obtained from the Purchasing Card Administrator and Director of Finance**. <u>The card is to be used only for official purchase</u>. The Purchasing Card will be issued in the employee's name and the "Organization Name" clearly indicated on the card.

3. THE PURCHASING CARD PROGRAM BRINGS MANY BENENFITS TO…

Cardholders – This program will help streamline the purchasing process and can help improve turnaround time on receipt of your order. It reduces the workload and processing costs related to the purchase and payment of supplies.

Department Cards – If Department cards are issued, it is the responsibility of the director to provide an internal procedure of who will hold these cards and maintain the invoices and statements. The issuing bank offers no liability on misuse of department cards. A copy of the procedure must be given to the accounting department for audit process.

Vendors – The Purchasing Card will be welcomed by vendors who accept MasterCard. When they accept the card for business purchased, vendors need not send invoices to the City of Huntsville, and they will receive payment directly for the issuing bank within 48 hours.

4. PARTIES INVOLVED

Card Issuer – Bank One's services include issuing Purchasing Cards to City of Huntsville employees and departments, providing electronic transaction authorizations, and billing the City of Huntsville for all purchases made on the cards.

City of Huntsville – Arranges with the issuing bank to have Purchasing Cards issued to approved employees and departments and agrees to accept liability for the employees' use of the cards.

Department Head – Organization official who must approve employee's request for a Purchasing Card, designate default accounting code for purchases on the Purchasing Card, and submit application to the City Manager's office for approval. Department Head approval delegates transactions authority to the Cardholder and the department.

Purchasing Card Administrator – The central administrator located in the Organization's Purchasing Department who coordinates the Purchasing Card program for the Organization and acts as the Organization's intermediary in correspondence with the card issuer.

Cardholder – An employee of the Organization who is approved by the Department Head and City Manager's Office to use the Purchasing Card to execute purchase transactions on behalf of the Organization. The director of each department will assign who will maintain department cards.

Vendor – The merchant from whom a Cardholder is making a purchase.

5. CARDHOLDER ELIGIBILITY

Criteria to receive a Purchasing Card is as follows:

- Applicant must be an employee of the Organization.
- Applicant's request for Purchasing Card must be approved by the Department Head and City Manager's office.
- Each individual Cardholder must sign a Cardholder Agreement (Attachment 1) in the presence of the Purchasing Card Administrator.

6. CARDHOLDER RESPONSIBILITIES

The Cardholder must use the Purchasing Card for legitimate business purposes only. Misuse of the card will subject Cardholder to disciplinary action in accordance with the City's Policies and Procedures relating to disciplinary action and termination for cause. The Cardholder must:

- Ensure the Purchasing Card is used for legitimate business purpose only.
- Maintain the Purchasing Card in a secure location at all times.

- Adhere to the purchase limits and restrictions of the Purchasing Card and City purchasing policies.
- Receive a **detailed** receipt from each vendor. Receipt needs to include each item purchased and the price per each, with a total of all items. This includes restaurant receipts. Make sure no tax has been charged. **It is the responsibility of the cardholder to assure that tax is either credit to the card or paid, with the exception of any restaurant receipts.** (Refer to Section 11 of this policy and the City Travel and Training Policy for card use related to travel expenses).
- Retain and reconcile all sales slips, register receipts, and/or Purchasing Card slips to the Cardholder statement and provide it to the supervisor for reconciliation, approval and allocation of transactions.
- Attempt to resolve disputes or billing errors directly with the vendor and notify the issuing bank if the dispute or billing error is not satisfactorily resolved.
- Ensure that an appropriate credit for the reported dispute item or billing error appears on a subsequent Cardholder statement.
- **NOT ACCEPT CASH** in lieu of a credit to the Purchasing Card account.
- Immediately report a lost or stolen card to Bank One at 1-800-890-0669 (24 hours a day, 365 days a year).
- Immediately notify supervisor of a lost or stolen Purchasing Card at the first opportunity during normal business hours.
- Return the Purchasing Card to the supervisor upon termination employment with the Organization or transferring Departments within the Organization.
- If a vendor does not accept the purchasing card, contact the purchasing card administrator.
- Report erroneous and emergency transaction needs to the supervisor during normal business hours.

7. DEPARTMENTAL SUPERVISOR RESPONSIBILITIES

Responsibilities include:

- Reviewing vendor receipts attached to the Cardholders statements.
- Attempt to resolve any disputes with vendor and/or the issuing bank not resolved by Cardholder.
- Notifying Purchasing Card Administrator in 3 to 5 days of an unresolved disputes, noting the reason for dispute.
- Notify Purchasing Card Administrator if Cardholder transfers to a different division or department; experiences any problems with use of card; **or lost or solen cards**.
- Requesting Purchasing Card Administrator to cancel a Cardholder’s card (ie. Terminated employees, lost of card and loss of purchasing card privileges) as approved by Department Head.

- Collecting canceled cards from Cardholders and forwarding to Purchasing Card Administrator.
- Assisting Cardholders with erroneous declines and emergency transactions.
- Approve and sign purchasing receipts/statements and ensure proper coding and timely submittal to Finance.

8. PURCHASING CARD ADMINISTRATOR RESPONSIBLITIES

The Purchasing Agent will act as the Purchasing Card Administrator to be responsible for the over-all Purchasing Card program. Responsibilities include:

- City of Huntsville liaison with the issuing bank.
- Reviewing Department approved applications for completeness of required information.
- Serve as liaison informing credit card company of budget and transaction limitations or any other changes or restrictions.
- Submitting completed application to the issuing bank and receiving Purchasing Card.
- Training Departmental supervisors and Cardholders before releasing Purchasing Cards.
- Having Cardholder sign Cardholder Agreement (Attachment 1), signifying agreement with the terms of the Purchasing Card program.
- Handling disputed charges/discrepancies not resolved by Cardholder or Departmental Supervisor.
- Securing revoked Purchasing Cards and submitting information to the issuing bank.
- Ensuring that lost stolen cards have been blocked by the issuing bank.
- Assisting the Departmental supervisor with erroneous declines and emergency transactions.
- Provide monthly and quarterly reports on usage as necessary to Director of Finance and Finance Committee.

9. PURCHASING CARD MAINTENANCE AND CLOSURE

All contact with the issuing bank for card set up, maintenance closure (except for reporting lost or stolen cards) will be handled by the Purchasing Card Administrator who is located in the Purchasing Department. The Purchasing Card Administrator is required to close an account if a Cardholder: (a) moves to a new job in which a Purchasing Card is not required, (b) terminates employment or (c) for any of the following reasons which will also subject Cardholder to disciplinary action in accordance with Organization Policies and Procedures relating to disciplinary action and termination for cause:

- The Purchasing Card is used for personal or unauthorized purposes.
- The Purchasing Card is used to purchase alcoholic beverages or any substance, material, or service which violates policy, law or regulation pertaining to the City of Huntsville.

- The Cardholder splits a purchase to circumvent the limitations of the Purchasing Card or the purchasing policies.
- The Cardholder uses another Cardholder's card to circumvent the purchase limit assigned to each Cardholder or the limitations of the Purchasing Card.
- The Cardholder fails to provide Departmental Supervisor with required receipts.
- The Cardholder fails to provide, when requested, information about any specific purchase.
- The Cardholder does not adhere to all of the Purchasing Card policies and procedures.

A request for closing a Cardholder account will be submitted to the issuing bank by the Purchasing Card Administrator, and the Cardholder must return the Purchasing Card immediately to their supervisor.

10. PURCHASING CARD USE/RESTRICTIONS

The card works just like your personal credit card, except all charges are pain in full by the City of Huntsville. **The purchasing card is not a debit card**. The card is to be used only for purchasing items with a total cost under the assigned transaction limit.

The City's expenditure limits for each Purchasing Card issued are set at a maximum monthly spending amount. The purchasing card is not to be used for purchase of $1,000 or more unless it relates to travel, ie. hotel reservations, etc. or pre-approved purchases.

The City requires that certain types of purchased be blocked from Purchasing Card use. Among these are entertainment and cash transactions. Such transactions, if attempted, will be blocked at the point-of-sale level and may subject the Cardholder to disciplinary action.

11. PURCHASING CARD PAYMENT FOR TRAVEL EXPENSES

Departments are encouraged to utilize the City of Huntsville procurement card to cover travel and business expenses for themselves and their staff. For each travel and business expense charged to a City procurement card, the cardholder shall complete the required **Record of Travel/Training/Expense Form.** The date, description and purpose of the travel expense and submittal of itemized receipts are required for each travel expenditure as part of the account reconciliation.

Credit cards should not be used for meals. Exceptions may be granted for appointed board members and officials, or employees traveling with a cardholder on city business. Copies of receipts for credit card purchases are required to be attached to the Record of Travel/Training/Expense Form. Originals should be included with the credit card statement.

12. PURCHASING CARD/ACCOUNT NUMBER SECURITY AND STORAGE

Cardholders should always treat the Purchasing Card with at least the same level of care as one does their own personal credit cards. The card should be maintained in a secure location and the card account number should be carefully guarded. The only person entitled to use the card is the person whose name appears on the face of the card.

The Purchasing Card Administrator located in the Purchasing Department will maintain all other documentation concerning the Purchasing Card program. This documentation includes, but is not limited to, applications, Cardholder Agreements, and copies of transmittals and correspondence with the issuing bank.

13. CARDHOLDER LIABILITY

The Purchasing Card is a corporate charge card and will not affect your person credit. It is the Cardholder's responsibility to ensure that the card is used within stated guidelines of this manual. Failure to comply with program guidelines may result in permanent revocation of the card, notification of the situation to management, and disciplinary action in accordance with the City of Huntsville's policies and procedures relating to disciplinary action and termination for cause. Reimbursement to the City of payroll deductions may be required to ensure refund of unauthorized expenditures.

14. LOST, MISPLACED OR STOLEN PURCHASEING CARDS

Report any lost or stolen Purchasing Card immediately to Bank One toll-free at 1-800-890-0669. Banks One representatives are available to assist you 24 hours a day, 365 days a year. Be sure to notify your Department Supervisor about the lost or stolen card at the first opportunity during normal business hours.

15. ERRONEOUS DECLINES

There may be certain situations when a vendor receives a decline message when processing your Purchasing Card transaction. If you do not know the reason for the decline, contact Bank One at 1-800-890-0669 for an explanation. If the decline was in error, the Cardholder should immediately contact the Purchasing Card Administrator for assistance.

If purchase is being made outside of normal business hours, the employee must find an alternate payment method or terminate the purchase and contact the Purchasing Card Administrator during normal hours.

16. DISPURES & BILLING ERRORS

The Cardholders should always attempt to resolve any disputes or billing errors directly with the vendor. If appropriate, the vendor will issue a credit to the card account. If an agreement cannot be reached with the vendor, you should contact Bank One at 1-800-890-0669. Bank One may ask you to mail or fax a Statement of Disputed Item to document the dispute.

All issues should be resolved using this process. However, if you are unable to obtain an acceptable resolution, you must contact the Purchasing Card Administrator for assistance. The total amount billed by the issuing bank will be charged to the individual department account, and a credit for the disputed transaction will be posted to department account when a credit appears on the Bank billing.

17. SALES TAX

The City of Huntsville is exempt from sales tax for all purchases. Make sure you inform your vendor of this exemption before executing a purchasing transaction. It is the responsibility of the cardholder to assure that tax is either not biller or paid.

18. TRAVEL CARD

The City may maintain a travel card in the purchasing office. Use of the card through purchasing is encouraged to obtain state rates on air fair, car rentals, or hotels.

Paperflow Tab

Purchasing Thresholds

Under $3,000
1. No quotes required
2. PO not required, issued at request
3. Required supervisor approval
4. Pay with invoice or P-Card

$3,000 – Less than $8,000
1. 3 quotes written or verbal (must have contact information)
2. PO is required
3. Department Director approval required
4. Purchasing approval
5. Pay with invoice
6. Invoice and receiving document sent to Purchasing
7. Purchasing forward to A/P

$8,000 – Less than $50,000
1. 3 written quotes and justification memo required
2. PO is required
3. Department Director and Purchasing approval required
4. City Manager approval required
5. Pay with invoice
6. Invoice and receiving document sent to Purchasing
7. Purchasing forward to A/P

$50,000 and over
1. Meeting with Purchasing
2. Formal solicitation with sealed responses or 1 cooperative quote
3. Department attends all meetings and approves all documents
4. Department prepares all agendas
5. Department Director, Purchasing, City Manager approval required
6. City Council approval required
7. Pay with invoice. Forward to Purchasing

Purchasing to assist at any stage. This is the typical work flow, there are specific exceptions. Contact purchasing concerning exceptions

PUBLIC WORKS PURCHASE REQUEST PROCESS

Description: ____________________

Account #: ____________________

W-9/Vendor #: ________________

Form 1295: ____________________

Insurance: ____________________

Bonds: ________________________

Agenda Date: __________________

Purchases greater than $50,000

Meeting held with Purchasing and Director or Designees

Discussion Items: Type of purchase (RFP, RFQ, IFB) source of purchase (Cooperative or Market) Reason for Purchase (Emergency or budgeted), Expected Frequency (re-occurring Purchase, decision package) PURCHASING TO ASSIST IN ANY STEP

Purchases between $3,000 & $8,000 → 3 quotes→ Department Director → PO Required

Formal solicitation completed with end user and purchasing review
Initials: ______________________________

NO

YES

End User verifies cooperative terms, quote, and gains supervisor approval
Initials: ______________________________

End user prepares agenda item – Supervisor approval gained
Initials: ______________________________

Director and Finance approval gained

End user places agenda in City Council Folder
Initials: ______________________________

Department Director presents to Council

End user prepares PO with quote, agenda and memo attached, forwards to Purchasing

Purchasing reviews, gains W-9, 1295, Bonds, Insurance & City Manager approval. Forward PO to end user.

End user orders and sends confirmation to cooperative

Purchases between $8,000 and less than $50,000 → 3 written quotes→ Department Director, Purchasing and City Manager

End user gains quotes, prepares PO

Department Dir. Approves & forwards to Purchasing

Purchasing will gain final approvals and forward end user PO

End user

Formal solicitation completed with end user and purchasing review
Initials: ______________________________

Purchasing conducts advertising. End user supplies list of suggested suppliers

End user and purchasing attends all meetings and opening

End user reviews solicitations and recommends award
Initials: ______________________________

End user prepares agenda item – Supervisor approval gained
Initials: ______________________________

Director and Finance approval gained

End user places agenda in City Council Folder
Initials: ______________________________

Department Director presents to Council

End user prepares PO with quote, agenda and memo attached, forwards to Purchasing

Purchasing reviews, gains W-9, 1295, Bonds, Insurance

Purchasing forwards to City Manager for approval

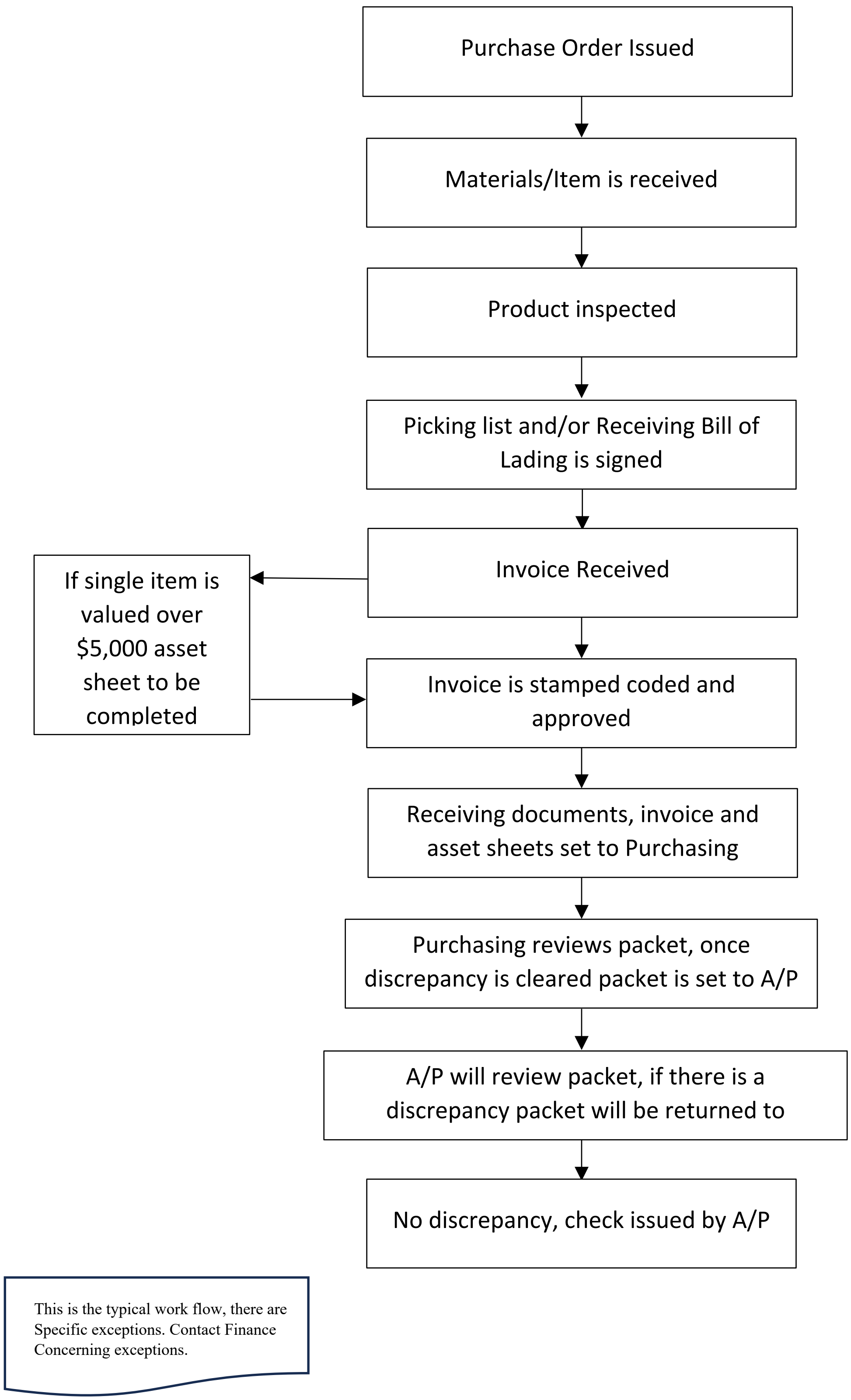
Purchasing forward to end user once approved and end user orders

City of Huntsville

This is a typical work flow, there are specific exceptions

No step moves forward without prior approvals/review gained. Include this form with all PO Requests.

Flow for all goods and services, which a purchase order (PO) is issued



HUBs Tab

WALKER COUNTY HUBS					
COMPANY NAME	MAILING ADDRESS	EMAIL	PHONE	HUB ELIGIBILITY	HUB GENDER
ANDIE HO	331 OAK LAWN ST,	ANDIE@ANDIEHOTRANSLATIONS.COM	316-727-6877	AS	F
COLLUM CONSTRUCTION PARTNERS, LTD.	14 STATE HIGHWAY 75 N STE B,	NANCYCOLLUM@YAHOO.COM	936-291-0334	WO	F
CRYSTAL RESOLUTIONS, LLC	1085 ELKINS LAKE,	LIESA@CRYSTALRESOLUTIONS.COM	936-293-1338	BL	F
D DURDA LLC	919 ELKINS LAKE,	DEBRA.DURDA@NOVYSOLUTIONSSERVICES.COM	817-994-0123	WO	F
D.B. & J.A. WARD, INC.	180 IH 45 S,	WARDFURNITURE@SBCGLOBAL.NET	936-295-2514	WO	F
DRAGON A/C & HEATING CO.	PO BOX 470,	DRAGONACHEATING@GMAIL.COM	936-355-1083	WO	F
ELITE MACHINING, INC.	P. O. BOX 8878,	RAGENA.ELITE@YAHOO.COM	936-435-9899	WO	F
GERONIMO'S CADILLAC, INC.	DBA ADAMS FURNITURE,30 STATE HWY 75 NORTH	123ADAMS@SBCGLOBAL.NET	936-295-1028	WO	F
HBI OFFICE SOLUTIONS INC	308 HWY 75 NORTH STE B,	SUSAN@HBI-INC.COM	936-295-4592	WO	F
JANES PAVEMENT SERVICES, INC.	62A POSSUM WALK LOOP,	ANNM.JANES@SBCGLOBAL.NET	936-293-8581	WO	F
KINGDOM STEWARDS OF FIVE LOAVES DELI, LL	KINGDOM STEWARDS OF FIVE LOAVES DELI, LL,1329 UNIVERSITY AVE STE I	JUDY5809@ATT.NET	936-439-9400	WO	F
LITTLE SPLITPEAS LLC	2821 SAM HOUSTON AVE, SUITE C	LITTLESPLITPEAS@ICLOUD.COM	936-439-3348	WO	F
MADE BY MAB	151 BRIARWOOD DR,	MADEBYMAB@YAHOO.COM	936-661-5321	HI	F
MCCAFFETY ELECTRIC CO., INC.	P.O. BOX 163,	PAM@MCCAFFETYELECTRIC.COM	936-295-2831	WO	F
TEXAS HUB EXPRESS LLC	809 FM 2821 RD W,	TEXASHUBEXPRESS@GMAIL.COM	936-545-3362	WO	F
TREXXLER ENERGY SOLUTIONS, LLC	810 INTERSTATE 45 N,	MORGAN@TREXXLER.COM	713-396-9771	DV	M
TOP NOTCH DIRT WORKS	253 FISHERMAN'S TRAIL,	TOPNOTCHDIRTWORKS@GMAIL.COM	936-661-2276	WO	F
WALKER COUNTY HARDWARE, INC.	PO BOX 1086,	WALKERHARD@TXCYBER.COM	936-295-7751	WO	F
WILLIAM R. PITTS ENTERPRISES, INC. DBA	ADVANTAGE SPECIALTIES,252 STATE HIGHWAY 19	STEPHANIE@ADVANTAGESPECIALTIES.COM	936-291-3222	WO	F
WILSON ELECTRICAL CONTRACTORS, INC.	P.O. BOX 1717,	WILSONELECCONTRACTORS@GMAIL.COM	936-344-6402	WO	F

City Of Huntsville

Purchasing Policy

Revise November 19, 2025
Revised July 3, 2023
Revised July 26, 2016
Revised March 15, 2022
Revised September 1, 2023

Table of Contents

Foreword

The City of Huntsville acknowledges the importance of identifying guidelines for city employees that will enable them to make purchases for the City, while maintaining the integrity of its financial controls. The purchasing process starts with the annual budget. The approval of the City's budget is the way the City Council approves management to spend on behalf of the City. Purchasing is a key part of the process of turning the authorized city budget into actual services. That process must be designed to allow staff to maximize results with limited resources while ensuring compliance with all relevant local, state, and federal laws and regulations. Although the respective department Directors may have the authority to spend within their budget, they must follow specific purchasing procedures and possess an understanding of the procedures to ensure a fair purchasing process.

Purpose

This purchasing policy manual provides the necessary methods of procurement for the roles and responsibilities of both the Purchasing department and all other City departments. The information included will allow the departments to make decisions necessary to request the purchase of goods and services needed to perform the functions of their department effectively.

Mission

- **Ensure Compliance:** Adhere to City Charter, all City policies, as well as applicable state and federal laws governing procurement.
- **Promote Fair Access:** Provide equal opportunity for all qualified vendors through a transparent, competitive procurement process.
- **Safeguard Public Funds:** Ensure that public funds are used responsibly and efficiently to achieve the best value for taxpayers.
- **Uphold Integrity and Public Trust:** Conduct all purchasing activities in a manner that protects the interests of the City of Huntsville and promotes public confidence in the integrity of the procurement process.

Governing Authority

In accordance with the City Charter, purchasing authority is ultimately vested in the City Council. The City Manager, serving as the Chief Executive Officer of the City, is authorized to approve purchases of goods and services not exceeding $0,000, in alignment with policies established by the City Council. Any purchase exceeding $100,000 requires formal approval by the City Council prior to the execution of any contractual obligation.

All procurement activities shall adhere to all City policies, City Charter, and applicable federal, state, and local laws.

Compliance and Legal Penalties

In accordance with Local Government Code 252.062, a municipal officer or employee commits an offense if the officer or employee intentionally or knowingly makes or authorizes separate, sequential or component purchases to avoid the competitive bidding requirements. This offense could result in up to a class B misdemeanor.

Purchasing Code of Ethics

City personnel involved directly or indirectly in procurement activities are expected to uphold the standards set forth in this Purchasing Code of Ethics. This includes individuals involved in specification development, quote or bid evaluations, requisition approvals, contract oversight, and payment authorization.

To promote shared accountability, all employees participating in purchasing-related decisions shall review and sign a Purchasing Code of Ethics Acknowledgment Form on an annual basis. The Purchasing Department shall maintain these acknowledgments as part of the City's procurement compliance records. We Commit To:

- Upholding the highest standards of honesty, integrity, and impartiality in all procurement activities, avoiding any actions that would result in personal gain or misuse of public trust.
- Avoiding and eliminating all conflicts of interest, both real and perceived, in the execution of our duties.
- Conducting ourselves in a manner that reflects personal honor and professional ethics, fostering public confidence in the integrity of the procurement process.
- Ensuring transparency and accountability by openly communicating procurement actions and decisions in accordance with applicable laws and policies.
- Pursuing ongoing professional development and training to remain current with federal, state, and local procurement statutes, rules, and best practices.
- Promoting fairness and competition by eliminating processes or practices that create bias or unequal treatment of vendors.
- Refusing to accept gifts, favors, or gratuities, and refraining from making personal purchases through business relationships, as such actions compromise the ethical principles of our profession and the public's trust.

Objectives of the Purchasing Department

The Purchasing Department is responsible for providing guidance and support to City departments to ensure compliance with all applicable City policies, City Charter, and applicable federal, state, and local laws governing procurement. To not limited to competitive sealed solicitations, professional services, cooperative purchasing, emergency procurements, and sole or single-source acquisitions. User departments are responsible for making final recommendations to the Mayor and City Council.

Purchasing should be included in all pre-purchase planning meetings to ensure adherence to competitive bidding requirements.

User Do’s and Don'ts

Coordination among City departments is necessary for the process to work effectively. To avoid delays and comply with all policies and laws, departments should remember the following:

- Do not commit to or acquire goods or services without an authorized purchasing plan or you could be held personally liable for the payment.
- Adhere to the City’s Code of Ethics and avoid activities and behaviors that are unethical or create conflict of interest or the perception of a conflict of interest.
- Plan purchases to minimize the use of emergency and expedited purchases. Rush purchases are generally more expensive and they delay other requisitions already in the system.
- Plan purchases to allow sufficient time to process purchase requests. The Purchasing Department is committed to processing all requisitions within a restricted timeframe depending on the dollar threshold of the purchase. In general, departments should allow:
    - 1-2 business days for purchase order requests less than $3,000 that are not being quoted for competitive pricing.
    - 0-1 business day to complete HUB verification only for purchases $3,000.01 - $5,000. The department must obtain an emailed confirmation of HUB vendor verification prior to purchase.
    - 2-3 business days for purchase order requests between $5,000.01 - $25,000 from when the requisition and informal quotes are received by the Purchasing Department.
    - 2-3 weeks for purchase order requests between $25,000.01 - $100,000 requiring a formal solicitation process.
    - 4-6 weeks for purchase order requests over $100,000 requiring planning and a formal solicitation process.

General Duties of the Purchasing Department

The Purchasing Department is responsible for overseeing the City's procurement activities in accordance with applicable laws, City policies, and ethical standards. In fulfilling this role, the Purchasing Department shall:

- Enforce the policies and procedures established in the City of Huntsville Purchasing Manual and implement directives issued by the City Manager or their designee;
- Provide support and guidance to departments in the development of specifications to ensure they are clear, non-restrictive, and promote open competition;
- Pursue cooperative purchasing opportunities with other governmental entities when such arrangements are in the best interest of the City;
- Attend and facilitate formal solicitation openings, including pre-opening meetings, and provide procedural support as needed;
- Serve in an advisory capacity as a non-voting member on evaluation committees for competitive solicitations;
- Collaborate with user departments to prepare and coordinate solicitation outcomes, including reporting recommended awards to City Council for formal approval;

- Consolidate purchases of similar goods or services, when practical, to leverage volume pricing and encourage a more competitive procurement environment;
- Assist department heads in the proper disposition of surplus or scrap materials and coordinate the disposal of City-owned assets in accordance with City policy;
- Conduct periodic training sessions for City staff involved in purchasing activities to promote consistent application of procurement procedures;
- Recommend updates or changes to procurement policies and procedures to the Director of Finance, City Manager, and City Council to safeguard public funds and enhance procurement efficiency and accountability; and
- Promote fairness, transparency, and vendor confidence in the City's procurement process by ensuring that specifications support broad competition and that all responsible vendors are afforded equal opportunity to compete for City business.

Purchasing Thresholds and Procedural Requirements

Historically Underutilized Businesses (HUBs)

In accordance with Texas Local Government Code Section 252.0215, when making a purchase exceeding $3,000 but less than $100,000, the City must contact at least two Historically Underutilized Businesses (HUBs) on a rotating basis. This requirement is based on the list of HUBs maintained by the Texas Comptroller pursuant to Texas Government Code Chapter 2161. If no HUBs are listed for the county in which the City is located, the requirement does not apply.

Because the HUB directory is a live document updated regularly by the Texas Comptroller, Purchasing can provide current HUB contact information upon request to assist with compliance.

Purchasing Thresholds

Purchasing Guidelines for Transactions less than $3,000

The Department Director or designee must approve all purchases. Purchases can be made using the Procurement Card, Direct Billing, or a Purchase Order.

Purchasing Guidelines for Transactions between $3,000.01 - $5,000

Departments must acquire HUB vendor verification from the Purchasing Department prior to purchase. Purchases made with a purchase order are exempt from this verification requirement. The Department Director or designee must approve all purchases. These Purchases can be made using the Procurement Card, Direct Billing, or a Purchase Order.

Purchasing Guidelines for Purchases $5,000.01 - $25,000

Departments are required to obtain three written quotes. The Department Director must approve all purchase requisitions. The requisition and all supporting documents must be submitted to the Purchasing Department for review and HUB vendor verification. Once the Purchase Order is confirmed, the department will be notified to proceed with placing the order and/or picking up the materials upon confirmation email from the Purchasing Department.

Purchasing Guidelines for Purchases $25,000.01–$100,000

Departments are required to obtain three formal (written) quotes. The Department Director must approve all purchase requisitions. The requisition and all supporting documents must be submitted to the Purchasing Department for review and HUB vendor verification. The Purchasing Department prepares a draft Purchase Order and requests the City Manager's approval. Upon receipt of approval for the purchase, the purchase order is issued. Once the Purchase Order is confirmed, the department will be notified to proceed with placing the order and/or picking up the materials upon confirmation email from the Purchasing Department.

Procedures for Purchases of and aggregate value of $100,000.01 and over

Unless exempt by law, the purchase must go through a sealed formal competitive solicitation process. The procurement process begins with a planning meeting between the requesting Department Director and the Purchasing Manager to determine the appropriate solicitation method (IFB, RFP, RFQ), project timeline, and documentation requirements. The Department Director must also provide an estimated budget for the procurement to support planning, compliance, and fiscal review. While the Purchasing Department will coordinate the development and issuance of the solicitation, the initiating department is responsible for providing a clear and complete scope of work or specifications and serving as the subject-matter expert throughout the process. All procurements $100,000.01 or more must be submitted to the City Council for approval by the Department Director.

Procedures for Citywide Solicitations

The Purchasing Department will submit all supporting documentation of Citywide solicitations for City Council approval. Citywide solicitations are intended to serve multiple departments, such as for janitorial services, landscaping services, or similar commonly used goods or services.

Contract Award Determination

The City of Huntsville awards contracts based on best value and overall benefit to the City. In accordance with Texas Local Government Code Section 252.043, if competitive sealed solicitation is required, the contract must be awarded to either:

- The bidder offering the lowest price who also meets all responsibility requirements (e.g., qualifications, past performance, financial stability).
- The bidder who provides the best overall value to the City, considering both price and other relevant factors (e.g., quality, service, experience, delivery time, etc.).

To ensure transparency and compliance, bid specifications must clearly state whether the award will be made to the lowest responsible bidder or based on best value. If the award is for best value, the solicitation must clearly state the evaluation criteria as permitted under Texas Local Government Code Section 252.043.

All contract award recommendations must have justifying documentation that the award is in the City's best interest. This documentation shall be retained in the procurement file.

Purchase Order Exemptions

The City of Huntsville recognizes that certain payments and services are routine, statutory, or otherwise governed by alternative procedures and therefore do not require the issuance of a purchase order for payment authorization. These exemptions are intended to streamline administrative processing while maintaining fiscal accountability.

The following categories of payments are exempt from the purchase order requirement:

- Tax payments
- Insurance premium payments
- Retirement system contributions
- Debt service payments
- Investment transactions
- Utility service payments
- Payments related to employee payroll deductions
- Interlocal agreements
- Reimbursements or payments to other governmental or regulatory agencies
- Training, travel, and lodging expenses
- Customer deposit refunds
- Captive replacement parts or components for equipment,
- Memberships
- Legal Notices
- Bonds
- Software Maintenance
- Postage and Post office rental
- Purchases under $5,000

Departments remain responsible for ensuring that applicable competitive bidding requirements are met and that all necessary documentation and approvals are secured in accordance with the City's fiscal and budgetary policies prior to initiating payment for any exempt item. The Purchasing Department is available to assist in determining whether a transaction qualifies for an exemption.

Vendor Performance Reviews and Debarment Policies

The City of Huntsville requires routine evaluation of vendor performance to support transparency, accountability, and continuous improvement in vendor relations.

Performance Review Requirements

Performance evaluations shall consider the following:

- Timeliness of delivery or service completion.
- Quality and conformance to contract specifications.
- Communication, responsiveness, and professionalism.
- Billing accuracy and adherence to quoted or contract pricing.
- Compliance with safety, insurance, and regulatory requirements.

Departments should complete a Vendor Performance Report:

- At the conclusion of any project or purchase over $5,000.
- Prior to renewing annual purchase orders or term contracts.
- Whenever vendor performance, positive or negative, warrants documentation.

These reports should be submitted using the City's standardized Vendor Performance Report form. Reports should highlight both positive and negative aspects of vendor conduct..

Use of Vendor Performance Reports

- Reports are reviewed and retained by the Purchasing Department in a centralized tracking system.
- Negative trends may result in a vendor being placed on a performance monitoring list or denied future contract opportunities.
- Positive performance reports may be used to support future vendor selections, including as part of evaluation criteria in best value solicitations.

Debarment

Vendors may be suspended or debarred from future City contracts for:

- Failure to perform in accordance with contract terms.
- Fraudulent, unethical, or deceptive business practices.
- Misrepresentation of qualifications or delivery capabilities.
- Repeated negative performance reports or contract violations.
- Violation of applicable laws or ordinances.

Suspension

The Purchasing Department will issue a Notice of Intent to Debar, detailing the proposed basis for debarment.

- The vendor may submit a written response within 10 business days.
- A final determination will be made by the City Manager, in consultation with the Legal and Finance Departments.
- Debarment periods may range from six (6) months to three (3) years, depending on the nature and severity of the offense.

Reinstatement Requests

All vendor reinstatement requests after debarment must be submitted in writing to the City Manager and will be evaluated on a case-by-case basis.

The Purchasing Department will maintain and publish a list of debarred vendors to ensure transparency and compliance in future procurement processes.

Exceptions to Competitive Bidding and Alternative Procurement Methods

While the City of Huntsville is committed to promoting open and competitive procurement practices, both state law and City policy recognize that certain purchases may be exempt from traditional competitive bidding requirements or may be procured through authorized alternative methods. These options enable the City to respond efficiently to specific operational, legal, or emergency needs while maintaining full compliance with applicable statutes.

This section outlines the circumstances under which competitive bidding may be waived—such as for professional services, emergencies, or sole source procurements—as authorized under Texas Local Government Code § 252.022 and Texas Government Code Chapter 2254. It also addresses approved alternative procurement methods, including the use of cooperative purchasing agreements, interlocal contracts, and state-authorized contract programs, which fulfill competitive requirements without the need for a City-issued solicitation.

All exemptions and alternative procurement methods must be properly justified, documented, and approved in coordination with the Purchasing Department to ensure legal compliance, fiscal responsibility, and procurement transparency.

In addition to the exemptions and methods described herein, Texas law provides several other statutory exemptions under Local Government Code § 252.022. Departments considering the use of non-competitive procurement methods not explicitly covered in this section must consult with the Purchasing Department. The Purchasing Department will provide guidance on the appropriate use of such exemptions and ensure that all required documentation and approvals are in place.

Cooperative Agreements

The City of Huntsville may utilize cooperative purchasing agreements as an alternative procurement method that satisfies competitive bidding requirements in accordance with Texas Local Government Code Chapter 791 (Interlocal Cooperation Act) and Section 271.102.

Cooperative purchasing agreements allow the City to procure goods and services through contracts that have been competitively solicited and awarded by another governmental entity or purchasing cooperative. This method promotes efficiency, reduces administrative burden, and often results in favorable pricing and terms.

The City may participate in cooperative programs established by:

- The State of Texas (e.g., Texas SmartBuy, TXMAS, DIR)
- Regional councils of governments
- Other municipalities, counties, or state agencies
- Recognized purchasing cooperatives such as BuyBoard, HGACBuy, Omnia Partners, or Sourcewell

All cooperative agreements must be reviewed and approved by the Purchasing Department prior to use. The Purchasing Department will verify that:

- The cooperative contract was competitively awarded in accordance with applicable laws.
- The vendor is authorized under the contract to provide the goods or services.
- The scope of the proposed purchase aligns with the terms and pricing of the cooperative contract.
- The City's participation in the cooperative is properly documented.

Use of a cooperative contract does not exempt a department from:

- Obtaining appropriate internal approvals based on purchasing thresholds.
- Submitting a requisition and supporting documentation to the Purchasing Department.
- Complying with grant or funding source requirements, when applicable.
- IT review/approval for all technology related purchases.

When submitting a requisition based on a cooperative agreement, departments must include:

- A copy of the vendor's quote referencing the cooperative contract.
- The cooperative name and contract number on request.
- Any required supporting documentation verifying pricing and scope.

The Purchasing Department reserves the right to require additional documentation or justification when using a cooperative agreement, particularly when the procurement exceeds $100,000 and must be presented to City Council for approval.

Interlocal Agreements

In accordance with Texas Government Code Chapter 791 (Interlocal Cooperation Act), the City of Huntsville may enter into interlocal agreements with other governmental entities to jointly perform governmental functions or procure goods and services when it is in the City's best interest to do so.

While not commonly used for procurement, interlocal agreements may be appropriate when:

- Another public entity has already competitively awarded a contract the City wishes to utilize; or piggy back on the contract.
- Two or more entities collaborate on a shared project or service.

All interlocal agreements must:

- Be in writing and outline the scope, duration, responsibilities, and cost-sharing terms.
- Be approved by the City Manager and City Council if required based on scope or expenditure.
- Be filed with the City Secretary and retained by the Purchasing Department as part of the official record.
- Obtain IT review/approval for all technology related purchases.

Procurement of Professional and Personal Services

Certain services are exempt from the competitive bidding requirements. The City of Huntsville follows the applicable statutory framework to ensure the proper selection, contracting, and oversight of these specialized services.

Professional Services

As defined by Texas Government Code 2254.002, the following services are considered professional services when performed by a licensed or certified individual in the course of their professional practice. These services are exempt from bidding and must be procured using a qualifications-based selection process, typically initiated through a Request for Qualifications (RFQ).

- Certified Public Accountants (CPAs)
- Architects
- Landscape Architects

- Land Surveyors
- Physicians and Surgeons
- Optometrists
- Professional Engineers
- Registered Nurses
- State-Certified or Licensed Real Estate Appraisers

Under Texas Government Code Chapter 2254, contracts for professional services may not be awarded based on competitive bidding. Instead, providers must be selected on the basis of:

- Demonstrated competence and qualifications,
- A fair and reasonable price, and
- Fees that do not exceed any maximum amount prescribed by law.

Personal Services

Some services may not fall under the definition of "professional services" governed by Texas Government Code Chapter 2254, but may still be exempt from competitive bidding requirements under Texas Local Government Code § 252.022(a)(4) as personal services. These services are those performed personally by the individual contracted to perform them. To qualify, the compensation under the contract must primarily be for the individual's labor, not for ancillary costs such as insurance, materials, or equipment. Additionally, these services are typically based on the provider's unique skills, qualifications, or direct involvement, where trust, personal attributes, or one-on-one interaction is integral to performance.

- Specialized consulting or training where a specific individual's expertise is essential
- Legal services (typically procured through or approved by the City Attorney)
- Subject-matter experts retained for temporary projects or advisory roles
- Facilitators, mediators, or instructors for specific City programs

All proposed personal service engagements must be submitted to the City Manager and routed through the City Attorney for case-by-case evaluation and approval to determine whether the exemption applies. IT must review/approve all technology related purchases. Departments must provide written justification that clearly outlines the individual's specific qualifications and explains how the nature of the service meets the statutory and judicial criteria for exemption.

Contract Approval Requirements

All contracts for professional or personal services—whether exempt under Texas Government Code Chapter 2254 or Local Government Code Section 252.022—must follow the City's formal approval and documentation process to ensure compliance, transparency, and fiscal accountability. Contracts must be:

- Reviewed and approved by the City Attorney for legal sufficiency.
- Approved by the City Manager prior to execution.
- Approved by the City Council if the total contract value is $100,000 or more, in accordance with City policy and state law.
- Submitted to the Purchasing Department for the issuance of a Purchase Order (PO) before any work begins or payment is made; and

- Filed with the City Secretary following full execution, in accordance with City records retention and policy requirements.

The issuance of a Purchase Order is required for all professional and personal service contracts, regardless of bidding exemptions, to ensure proper authorization, budget verification, and compliance with procurement procedures.

Sole-Source Exemptions

In limited circumstances, purchases may be exempt from competitive procurement requirements if the goods or services are available from only one source. These are known as sole-source procurements, and they are permitted under Texas Local Government Code § 252.022(a)(7) when competition is not feasible. A sole source exemption may be appropriate when:

- The product or service is proprietary and available only from a single provider.
- The item is compatible with existing equipment or systems and must be procured from the original manufacturer or a single authorized distributor.
- The purchase involves specialized services or equipment for which no other source is reasonably available.
- The provider holds exclusive rights, patents, or intellectual property preventing competition.

Requirements for Sole Source Justification

All sole-source purchases must be supported by a written sole-source justification memo prepared by the requesting department. The justification must include:

- A clear explanation of why the goods or services are only available from one source;
- Efforts made to identify alternative sources, if any;
- A description of how the item or service is essential to City operations;
- Any documentation from the vendor supporting sole source status (e.g., letter of exclusivity).
- Obtain IT review/approval for all technology related purchases.

The written justification must be approved by the Purchasing Manager prior to issuance of a Purchase Order. Special Considerations:

- Price reasonableness must still be evaluated and documented, even for sole source purchases.
- Sole source purchases are subject to annual review, and new supporting documentation must be submitted each fiscal year to justify continued use of the sole source exemption. This requirement ensures the City maintains transparency, verifies that the conditions justifying sole source procurement remain valid, and upholds compliance with applicable state and federal procurement regulations. Failure to provide updated documentation may result in the denial of the exemption and the need to initiate a competitive solicitation process.
- Sole source designation does not exempt the purchase from approval requirements. Purchases that meet or exceed the financial threshold requiring City Manager approval must be reviewed and approved by the City Manager. Purchases that meet or exceed the

threshold requiring City Council action must be presented to and approved by the City Council, regardless of sole source status.

Federally Funded Purchases

For purchases involving federal grant funds, sole source procurement must comply with 2 CFR § 200.320(c). Additional documentation, such as a cost analysis and confirmation that no adequate competition exists, is required. Federally funded sole source requests must be reviewed by the Purchasing Department for compliance with all applicable federal procurement standards.

Emergency Purchases

The City of Huntsville recognizes that emergency purchases may be necessary due to the urgent and unpredictable nature of municipal operations. In such instances, normal procurement procedures may be bypassed to protect public interests; however, appropriate documentation and follow-up are required to maintain accountability and transparency. All technology related purchases must have IT's review/approval.

Legal Authority

In accordance with Texas Local Government Code § 252.022(a)(2) and (3), competitive bidding requirements may be waived when the immediate purchase of goods or services is necessary to:

- Protect the public health, safety, or welfare of the City's residents; or
- Respond to unforeseen damage to public property, equipment, or infrastructure.

Emergency purchases must be limited to only those materials, services, or equipment necessary to address the immediate need. When feasible, departments should still obtain written quotes to ensure prudent use of public funds.

Authorization and Documentation Requirements

The following procedures must be followed to the greatest extent possible during and immediately after the emergency:

- Written Justification: Emergency purchases exceeding $5,000 must be documented in a written memorandum prepared by the Department Director.
- The memo must include:
    - A description of the emergency.
    - The items or services procured.
    - The estimated or actual cost.
    - A statement explaining why competitive bidding procedures could not be followed.
- The Department Director must notify the City Manager as soon as practical and no later than the next business day when an emergency purchase is made outside normal bidding requirements.
- All emergency purchases must be reviewed by the City Manager promptly after the emergency has been addressed. If the purchase exceeds the applicable financial

threshold, it must be presented to the City Council for formal acknowledgment or approval in accordance with City policy.

- Cyber Incident Exception: When the City Manager (or designee) declares a cyber incident, the IT Director may procure containment/monitoring/IR tooling and services immediately. The Department Director memo (within 1 business day) must include the incident ticket, scope, vendor(s), estimated cost, and reason normal bidding could not be followed.
- For federally declared emergencies, all emergency purchases must also comply with applicable federal procurement standards under 2 CFR § 200, including:
    - Cost or price analysis;
    - Documentation of non-competitive procurement justification;
    - Compliance with federally required contract clauses.

Purchasing Department Notification

Departments must notify the Purchasing Department as soon as reasonably possible following an emergency purchase. The Purchasing Department will assist in reviewing and completing the required documentation, ensure compliance with applicable procurement requirements, and retain records in accordance with City, state, and federal standards.

Technology-Related Purchases

All requests for computer hardware, software, telecommunications equipment, and related services or supplies must be submitted to the Information Technology (IT) Director for review and technical evaluation. The IT Director is responsible for assessing compatibility with existing systems, identifying the most appropriate source, evaluating potential alternatives, and making a formal recommendation regarding the purchase.

No purchases of technology-related equipment, software, or services may be made without prior review and approval from the IT Director. This requirement ensures consistency, system integration, cost-effectiveness, and adherence to City technology standards.

Technology-related purchases include, without limitation: software (on-prem or cloud), SaaS subscriptions and renewals, add-on modules or integrations, professional services related to systems, managed/hosted telecom, mobile device management, multifunction devices with storage, IoT/OT devices, audio/visual systems, security systems (access control, CCTV/ALPR, body cameras), payment systems, and any device or service connecting to City networks.

Technology procurements must comply with the Electronic Communications Systems policy (City of Huntsville Policy & Procedures Manual §12.09).

Expanded Requirements for Cloud-Based Software Vendors

Vendors with access to City data must provide evidence of cybersecurity controls (e.g., SOC 2 Type II or equivalent).

- Annual third-party attestation of these controls is required.
- Vendors must also provide summary results or letters of attestation for annual vulnerability or penetration tests, along with remediation confirmation upon request.

The City retains ownership of all data and must be granted export rights.

- Data exports must be provided in a non-proprietary, accessible format (e.g., CSV, XML, JSON).
- Within 30 days of contract termination, vendors must provide all City data exports in the aforementioned non-proprietary accessible format and obtain written confirmation of successful receipt and verification from the City IT Director prior to any data deletion. Vendors must then certify secure deletion of all City data, including backups, within 30 days of receiving such confirmation, and provide a destruction certificate to the City IT Director.

Vendors must agree to City audit rights for data security and service compliance.

- The City reserves the right to audit or request independent verification of vendor security and privacy practices, including review of incident response records, access control logs, and subprocessor agreements.

Vendors providing cloud-based or data-hosting services to the City shall ensure that all City data, including backups and disaster-recovery systems, is stored and processed within the continental United States.

- No confidential or restricted data may be transferred, stored, or accessed from outside the U.S., in accordance with applicable state cybersecurity guidelines and industry best practices.
- Vendors must provide documentation confirming U.S.-based data centers upon request. Failure to comply may result in disqualification or contract termination.

Vendors must implement and maintain the following minimum technical and administrative controls:

- Access and Authentication: Require multifactor authentication (MFA) for all administrative accounts; support Single Sign-On (SSO) via SAML or OIDC; enforce least-privilege access.
- Incident Notification and Cooperation: The Vendor is required to notify the City IT Director within 24 hours of any actual or suspected data breach, security incident, or unauthorized access. Furthermore, the Vendor must fully cooperate with any City investigations by providing relevant logs, forensic data, and details of mitigation actions taken.
- Data Protection: Encrypt City data at rest and in transit using current NIST-approved standards (e.g., AES-256, TLS 1.2 or higher).
- System Resilience: Maintain defined Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO); perform annual disaster-recovery and business-continuity testing with documented results.
- Subprocessors: Disclose all subcontractors or subprocessors handling City data prior to engagement and ensure equivalent security and privacy safeguards.
- Regulatory Compliance: Comply with applicable regulations, including CJIS, HIPAA, PCI DSS, and Tx-RAMP when relevant. Provide supporting documentation or certification upon request.
- Right to Suspend Connectivity: The City reserves the right to immediately disable system connectivity to any vendor environment determined to pose a material cybersecurity or privacy risk.

Vendors must maintain active Cyber Liability Insurance with minimum coverage of $1,000,000 per occurrence, including first-party coverage for data restoration, incident response, regulatory defense, and notification costs. Proof of coverage must be provided at contract execution and upon each renewal.

Purchases Funded by Grants

Purchases made with grant funds are subject to specific procurement requirements set forth by the awarding agency. These requirements may differ from the City's standard purchasing procedures and often include additional federal or state mandates, documentation, and reporting obligations.

To ensure compliance:

- Departments must coordinate with the Grants Manager for all purchases funded by grant awards. The Grants Manager will assist in interpreting grant conditions and ensure that procurement activity aligns with the grant's approved scope and budget.
- A copy of the grant agreement must be provided to the Purchasing Department at the time a requisition is submitted for a Purchase Order or when initiating a formal solicitation process.
- The Purchasing Department will review the grant agreement to identify and apply any applicable procurement requirements, including those outlined in Title 2 of the Code of Federal Regulations (2 CFR), Part 200, specifically §§ 200.317 through 200.327. These may include, but are not limited to:
    - Required federal contract clauses;
    - Competitive procurement thresholds;
    - Solicitation transparency and outreach;
    - Cost and price analysis;
    - Bonding requirements;
    - Use of small, minority, and women-owned businesses;
    - Documentation and record retention.

Failure to follow applicable grant procurement requirements may result in disallowed costs, grant repayment, or loss of funding eligibility. Therefore, it is essential that departments engage Purchasing early in the planning process for any grant-funded purchase.

The Purchasing Department and Grants Manager will work collaboratively with user departments to ensure that all procurement activities conducted under a grant award are fully compliant, properly documented, and audit-ready.

Insurance Requirements

General Requirement

Vendors and contractors performing work for the City of Huntsville shall furnish and maintain, at their own expense, insurance coverage that meets or exceeds the minimum requirements outlined below. A Certificate of Insurance must be submitted to the City prior to issuance of a purchase order or commencement of work.

Required Coverages

The following insurance coverage types and minimum limits shall apply to most contracts. Additional requirements may be imposed depending on the nature and scope of the services being provided.

Commercial General Liability

- $1,000,000 per occurrence
- $2,000,000 general aggregate
- Must include coverage for products/completed operations at a minimum of $1,000,000 per occurrence.
- The City must be named as an Additional Insured by endorsement.

Commercial Automobile Liability

- $300,000 combined single limit per occurrence
- Must include coverage for owned, non-owned, and hired vehicles.

Workers' Compensation and Employer's Liability

- Coverage must comply with all applicable Texas Workers' Compensation laws.
- A waiver of subrogation in favor of the City of Huntsville must be included by endorsement.

Professional Liability Insurance (if applicable)

- Required for contracts involving professional services (e.g., architectural, engineering, legal, financial, consulting):
- Minimum limit of $1,000,000 per claim
- Coverage shall be maintained for the duration of the contract and for a minimum of two (2) years after final completion or termination of services.

Cyber Liability Insurance (if applicable)

- Required for vendors with access to the City's networks, systems, confidential data, or personally identifiable information (PII):
- Minimum limit of $1,000,000 per claim
- Coverage must include, at a minimum: data breach response and notification, business interruption, cyber extortion, and network security liability.

Additional Requirements

- All insurance must be written on forms approved by the Texas Department of Insurance and provided by insurers authorized to do business in the State of Texas.
- The Certificate of Insurance must include the following endorsement language in the Description of Operations:

"Blanket Additional Insured is added in favor of the certificate holder with respect to general liability coverage as required by written contract. Blanket Waiver of Subrogation is added in favor of the certificate holder with respect to workers' compensation coverage as required by written contract."

- **Certificate Holder shall be listed as**:

  City of Huntsville
  1212 Avenue M
  Huntsville, TX 77340

- Policies must provide **30 days' advance written notice** to the City of cancellation, non-renewal, or material change in coverage.

The City of Huntsville reserves the right to request certified copies of insurance policies and endorsements at any time. Insurance coverage must remain in force for the duration of the contract and any extension periods. Failure to maintain required insurance may result in contract suspension or termination.

Purchasing Card Program

Program Overview

The City of Huntsville's Purchasing Card (P-Card) Program is designed to streamline the procurement of low-dollar goods and services, particularly for travel and training-related expenses. The program offers an efficient alternative to traditional purchasing methods for allowable purchases under $5,000, while maintaining accountability, transparency, and compliance with City policy, the City Charter, and applicable state law. Software or SaaS (new or renewal), cloud credits, and technology services may not be purchased with a P-Card without documented IT Director approval and a Purchase Order; this applies to any dollar amount.

Program Oversight

The P-Card Program is administered by the Purchasing Card Administrator within the Purchasing Department. This individual is responsible for training, issuing and maintaining cards, monitoring usage, coordinating billing, and providing periodic reports to the Director of Finance.

Cardholder Eligibility and Agreement

To participate in the program, employees must be authorized by their Department Head and approved by the City Manager's Office. Cardholders must sign a Cardholder Agreement acknowledging receipt of the card and responsibility for compliance with the Purchasing Card Program policies. This agreement outlines the terms of use, restrictions, and the consequences of non-compliance.

Primary Use and Restrictions

The Purchasing Card is intended for:

- Travel- and training-related expenses
- Low-dollar incidental purchases where the use of a Purchase Order (PO) is impractical

Purchases should **not** be made with a P-Card when:

- The vendor has a billing account with the City. In such cases, departments must contact the Purchasing Department for a PO number and use the billing arrangement.
- The purchase exceeds $3,000 without HUB vendor verification from the Purchasing Department.
- The purchase exceeds $5,000 without prior approval from the Finance Director. (Coordinate with the Program Administrator to ensure all purchasing policies and documentation requirements are met.)
- The purchase involves controlled, restricted, or capital items (unless approved).
- The item or service is otherwise restricted under City or State policy.

Prohibited Expenditures

In accordance with the Texas Local Government Code § 271.903, the City of Huntsville Charter, and applicable City ordinances, P-Cards may not be used for:

- Alcoholic beverages
- Personal expenses of any kind
- Gifts or donations not authorized by City Council
- Cash advances
- Split transactions intended to circumvent dollar thresholds
- Entertainment expenses unrelated to official City business
- Fuel for personal vehicles, unless approved for specific travel

Any violations of these prohibitions will be considered misuse and may result in disciplinary action.

Sales Tax Exemption

The City of Huntsville is exempt from state and local sales tax on all purchases, in accordance with applicable tax laws. Employees making purchases on behalf of the City are responsible for informing vendors of the City's tax-exempt status prior to completing any transaction. It is the responsibility of the cardholder or end user to ensure that sales tax is not charged or paid. If sales tax is inadvertently billed, the cardholder must request a corrected invoice or reimbursement.

A copy of the City's Sales Tax Exemption Certificate is available from the Finance Department upon request.

Receipts and Required Documentation

All cardholders are required to submit itemized receipts for each purchase. For meals, the receipt must:

- Clearly identify each attendee;
- Include the business purpose of the meeting or event;
- Be accompanied by the "Credit Card Meal Receipt" form, available on the City of Huntsville Intranet.

In cases where a receipt is lost, the cardholder must complete the "Record of Lost Procurement Card Receipt" form, also available on the Intranet, and submit it with their monthly reconciliation. Lost receipts must be an exception, not a regular occurrence.

Habitual issues such as:

- Repeated loss of receipts,
- Unauthorized or unapproved business purchases,
- Personal charges on the card (even if reimbursed),

Will result in disciplinary action, which may include:

- Revocation of card privileges;
- Written reprimand;
- Reimbursement to the City;
- Suspension or termination in accordance with the City's disciplinary policies.

Meal and Business Expense Requirements

For meals and hospitality charges to be reimbursable under federal guidelines (e.g., 2 CFR § 200.432), they must meet the following criteria:

- Serve a valid business purpose;
- Be reasonable and necessary;
- Be properly documented with itemized receipts and purpose/attendee list;
- Be approved as part of a travel or training activity or a Council-authorized event.

Disputes and Billing Errors

- Cardholders must make every reasonable effort to resolve disputes or billing errors directly with the vendor. If the vendor acknowledges the error, a credit should be issued to the purchasing card account.
- If a resolution cannot be reached with the vendor, the cardholder should contact JP Morgan using the number listed on the back of the purchasing card. JP Morgan may require the submission of a Statement of Disputed Item to document the issue.
- Disputes must be reported to JP Morgan within 30 calendar days of the transaction date. Cardholders are encouraged to review statements promptly and initiate contact with vendors within 5 business days of identifying a discrepancy to allow sufficient time for resolution and escalation if needed.
- If an acceptable resolution cannot be obtained, the Purchasing Card Program Administrator is available to assist with resolving the issue. The full amount billed by JP Morgan will be charged to the department's account. A credit will be applied to the same account once the issuing bank processes the adjustment.

When to Use a Purchase Order Instead

If a vendor has a billing account with the City of Huntsville, the P-Card should not be used. The department must:

- Confirm with the Purchasing Department whether the vendor is on account;
- Request a Purchase Order (PO) number, usually an Annual Purchase Order;
- Process the purchase through standard billing procedures.

This practice helps maintain centralized vendor billing, ensures appropriate controls, and avoids duplicate payments.

Enforcement and Compliance

The Purchasing Card is a privilege, not an entitlement. The cardholder is personally responsible for:

- Ensuring all purchases comply with City policies and funding source requirements;
- Submitting receipts and required forms timely;
- Reporting lost or stolen cards immediately;
- Returning the card upon transfer, resignation, or termination.

Any misuse of the card may result in revocation of card privileges, disciplinary action, and/or repayment of unauthorized charges, consistent with the City's personnel policies and applicable law.

Sale or Lease of Real Estate

Authority and Purpose

The sale or lease of City-owned real estate shall be conducted in accordance with the requirements set forth in Texas Local Government Code Section 272 and the City of Huntsville Charter, Sections 14.12 and 14.13(a)–(b). The purpose of this section is to establish procedures and guidelines to ensure that all real estate transactions are carried out in a manner that is transparent, legally compliant, and consistent with the responsibilities of the City Council, City Management, and the public.

Real Estate Management and Delegation of Authority

Except as otherwise provided in this policy, the City Council delegates to the City Manager the authority to manage and maintain all real estate owned or controlled by the City of Huntsville.

Responsibilities of the City Manager

The City Manager, or a designated representative, shall be responsible for the care, maintenance, safekeeping, and inventory of all City-owned real estate, including the proper handling and retention of deeds and related documentation.

Sale of Public Parks

In accordance with City Charter Section 14.13(a), no public park, or any portion thereof, may be sold unless the proposed sale has been submitted to a vote of the qualified voters of the City and approved by a majority of those voting.

Approval Authority for Real Estate Transactions

The sale or lease of any City-owned real estate shall require the express approval of the City Council.

Sale of Real Estate

The City Manager shall provide written notification to the City Council of the intent to sell real estate no fewer than twenty-one (21) calendar days prior to initiating any sale procedures. If a Councilmember objects to the proposed sale, written notice must be submitted to the City Manager. Upon receipt of such objection, the item may be placed on the next available City

Council agenda for discussion and action. If no written objections are received, the City Manager is authorized to proceed with the sale process beginning on the twenty-second (22nd) calendar day.

Fair Market Value Requirement

City-owned real estate shall not be sold for less than its fair market value, as determined by an independent, licensed appraiser.

Methods of Sale

City-owned real estate may be sold using one of the following methods:

- Invitation for Bid (IFB): A competitive sealed bid process, with award to the highest responsive and responsible bidder based solely on price; or
- Brokered Sale: A private sale facilitated by a real estate broker licensed under Texas Occupations Code Chapter 1101, in accordance with Texas Local Government Code Section 272.001(b). The property must be listed for at least thirty (30) days on a Multiple Listing Service or other service commonly used by real estate professionals.
- Public Auction: A sale conducted by a licensed auctioneer or auction firm in accordance with applicable state and local laws. The property must be advertised publicly in advance of the auction date, and the sale must be awarded to the highest qualified bidder.

Public Notice Requirements

In accordance with City Charter Section 14.13(b), the Purchasing Department shall publish notice of the proposed sale in the City's official newspaper on each publication day for two consecutive weeks, regardless of the method of sale. The sale shall not be finalized until at least fourteen (14) calendar days have passed from the date of the last publication.

The notice shall include:

- A legal description and location of the property;
- The method of sale (IFB, brokered sale or public auction);
- Instructions for submitting bids or offers, if applicable;
- The date, time, and location of bid opening (for IFB); and
- Any other relevant sale procedures.

Invitation for Bid Procedures

When using the IFB method, the following requirements apply:

- The City reserves the right to accept or reject any or all responses.
- All responses must be submitted in sealed envelopes addressed to: Attention: City Secretary, City Hall.
- The date, time, and location of the bid opening must be clearly stated in the solicitation and notice.
- If fewer than two responses are received by the published deadline, the opening shall be automatically extended for a minimum of twenty-four (24) hours. An addendum shall be issued promptly to communicate the extension. No responses may be opened until the

revised deadline has passed. After the revised deadline, the City Manager may issue a second extension or authorize bid opening.

Retention of Mineral Rights

All mineral rights associated with the property shall be retained by the City unless expressly approved for sale by City Council.

Final Recommendation and Council Action

The City Manager shall present a final recommendation to the City Council on whether to approve the sale or reject all responses or offers, regardless of the method used.

Glossary of Terms

2 CFR Part 200 (Uniform Guidance): Federal regulations for federal awards to non-federal entities. Procurement must comply with §§ 200.317 - 200.327 when using federal funds.

Addendum *(plural: Addenda)*: A written instrument issued by the City that modifies or clarifies a solicitation prior to the due date.

Annual Blanket Purchase Orders: A fixed-price agreement used for routine, recurring purchases throughout the fiscal year. These purchase orders are commonly utilized for goods or services required by multiple departments and help streamline procurement by eliminating the need to issue multiple individual POs for similar items (e.g., periodic purchases of sack concrete). Although typically tied to a single fiscal year, blanket purchase orders may extend across fiscal years when supported by an active contract that specifies a valid term beyond one year.

Best Value: A procurement method in which award is based on an evaluation of factors beyond price alone, with consideration given to the overall value to the City over the life cycle of the good or service. Evaluation criteria may include, but are not limited to: price, quality, vendor location, safety record, past performance or relationship with the City, and any other relevant factors specifically identified in the solicitation.

Bonds: Financial instruments required to protect the City's interests in the procurement and execution of certain contracts, particularly in public works projects.

- **Bid Bond**: A bond submitted with a bid to ensure that the bidder, if awarded the contract, will enter into an agreement with the City under the terms proposed.
- **Payment Bond**: A bond that guarantees payment to subcontractors, suppliers, and laborers providing goods or services under the contract. Required for all public works contracts exceeding $50,000.
- **Performance Bond**: A bond that ensures satisfactory completion of a contract and protects the City in the event of contractor default or failure to perform. Required for public works contracts exceeding $100,000. (Also referred to as a “completion bond.”)

Blanket Additional Insured Endorsement: A provision in a general liability insurance policy that automatically includes the City of Huntsville as an additional insured under specific contract conditions.

Capital Assets: Tangible assets that, at the time of acquisition, have a value or cost of $5,000 or more and a useful life exceeding one year. Capital assets must be recorded in the City's asset management system, and a City of Huntsville 'Addition to Asset Form' must be completed and assigned an official asset number.

Change Order: A formal written modification to an existing contract that alters the original scope of work, specifications, quantities, contract amount, or performance timeline. Change orders are typically issued to address unanticipated conditions, regulatory requirements, or changes in project needs, and may result in an increase, decrease, or no change in cost or time.

Cloud-Based Services: Software, storage, or computing services delivered via the internet and hosted on external servers. Cloud-based vendors must meet cybersecurity and data residency requirements specified by the City.

Component Purchases: The purchase of individual components or parts of an item that, under normal purchasing practices, would be acquired in a single purchase. Component purchases may be considered a violation if used to circumvent competitive bidding requirements, particularly when the complete item has previously been competitively bid or should be treated as a single procurement.

Debarment: The formal disqualification of a vendor from participating in future City procurements for a specified period due to documented non-performance, unethical conduct or other violations.

Due Date: The specific date and time by which a quote, bid, proposal, or other solicitation response must be received by the City. Submissions received after the due date are considered late and will not be accepted or evaluated.

Emergency Purchase: A procurement made to address a critical, unforeseen situation in which the City's ability to protect public health, safety, or welfare would be significantly impaired if the purchase is not made without delay. Emergency purchases must be limited to those goods or services necessary to respond to the immediate situation.

Encumbrance: The accounting process by which the City reserves funds to cover the anticipated cost of goods or services, thereby reducing the available budget balance for the applicable period. Encumbrances ensure that funds are set aside when a purchase order or contract is issued, helping to maintain budgetary control.

Formal Procedure: A competitive solicitation process in which responses must be submitted in a sealed envelope to the City Secretary's Office by the specified due date and time. Responses are publicly opened in the presence of representatives from the requesting department and the Purchasing Division. Formal procedures are required for City purchases exceeding $10050,000, in accordance with applicable state and local procurement regulations.

Historically Underutilized Businesses HUBs: Businesses that are at least 51% owned by one or more individuals who are socially and economically disadvantaged, including minority- and women-owned businesses, as certified by the State of Texas. For purchases of $53,000 or more but less than $10050,000, departments must, when applicable, contact at least two HUBs using a rotational system based on the State Comptroller's HUB directory. If no HUBs are identified in Walker County, the City is exempt from this requirement.

Informal Procedure: Solicitation process used for purchases below the formal bidding threshold, in which responses are submitted directly to the requesting department. Responses may be received by electronic means (e.g., email), facsimile, or physical delivery. Informal procedures are typically used to expedite procurement while maintaining fairness and competition.

Individual One-Time Purchase: A purchase made at the department level for a specific good or service that is typically required only once during a fiscal year. These purchases are non-recurring in nature and do not warrant a blanket or contract purchase. Individual one-time purchases remain subject to all applicable City purchasing thresholds, approval requirements, and competitive purchasing procedures based on the total dollar value of the purchase.A purchase made at the department level for a specific good or service that is typically required only once during a fiscal year. These purchases are not recurring and do not warrant a blanket or contract-based procurement.

Invitation for Bids (IFB): A formal solicitation method used when the City is seeking competitive bids for goods, equipment, or services that are clearly defined and for which an award can be based on the lowest responsive and responsible bidder. An IFB includes **detailed** specifications, contract terms, and submission requirements. Price is the primary factor in the award and negotiations are not conducted.

Piggyback Cooperative: A form of intergovernmental cooperative purchasing in which one governmental entity leverages the pricing, terms, and conditions of a contract awarded by another governmental entity. The original contract must include language that permits such usage by other public agencies.

Professional Services: Services provided by individuals or firms that require specialized knowledge, formal education, and professional licensing or certification. These services involve a high degree of skill, judgment, and expertise, and are generally exempt from competitive bidding under Texas Government Code Chapter 2254. Examples include, but are not limited to: accounting, architecture, engineering, medicine, real estate, and surveying.

Purchase Order: The City's official written document issued to a vendor that authorizes a purchase and formalizes the terms and conditions of the transaction. A purchase order serves as a legal agreement between the City and the vendor for the delivery of specified goods or services at agreed-upon prices.

Real Estate: Land and any buildings, structures, or improvements that are permanently affixed to it.

Request for Proposal (RFP): A formal solicitation method used when the City seeks solutions based on defined criteria that extend beyond price alone. Respondents are invited to submit proposals offering the best value to the City, considering factors such as qualifications, methodology, experience, and cost. The RFP process allows for negotiation of terms and conditions between the City and the selected proposer prior to contract award.

Request for Qualifications (RFQ): A solicitation method used to procure services that fall under the definition of Professional Services, as defined by Texas Government Code Chapter 2254. Responses are evaluated based solely on qualifications, and an award is made to the firm deemed most qualified. Price is not considered until after the most qualified firm is selected.

Responsible Responder: A respondent who has the capability in all respects to fully meet the requirements of a solicitation and successfully fulfill the terms of any resulting contract. This includes, but is not limited to, possessing the necessary skill, experience, integrity, financial and technical resources, and compliance with all applicable standards and specifications outlined in the solicitation.

Responsive Responder: A respondent who has submitted a bid or proposal that complies in all material respects with the requirements, specifications, terms, and conditions set forth in the solicitation. This includes proper completion and submission of all required forms, signatures, and documentation as outlined in the solicitation package.

Separate Purchases: The procurement of individual items or services in multiple transactions that, under normal purchasing practices, would be combined into a single purchase. This practice may be considered a violation if used to circumvent competitive bidding requirements.

SOC 2 Type II: A cybersecurity compliance standard for service organizations that describes controls relevant to security, availability, processing integrity, confidentiality, and privacy. Required for vendors handling sensitive or hosted City data.

Sole Source: A procurement method used when goods or services are available from only one known source, and no reasonable alternative or substitute exists. Sole source purchases must be justified and documented in accordance with applicable laws and City policy and are typically exempt from competitive bidding requirements.

Subcontractor: Any individual or business entity engaged by a vendor to provide goods, labor, equipment, or services that are used in fulfilling the vendor's obligations under a contract with the City. Subcontractors operate under the direction of the primary contractor and are not in direct contractual agreement with the City.

Suspension: A temporary exclusion from the procurement process pending investigation or resolution of a performance or compliance issue. Suspended vendors may not receive awards during the suspension period.

Term Purchase Order: A purchase order established for a defined period of time to allow for the recurring procurement of specified goods or services under agreed-upon terms and pricing. Term purchase orders facilitate efficient ordering and are typically used when needs are anticipated throughout the duration of the specified term.

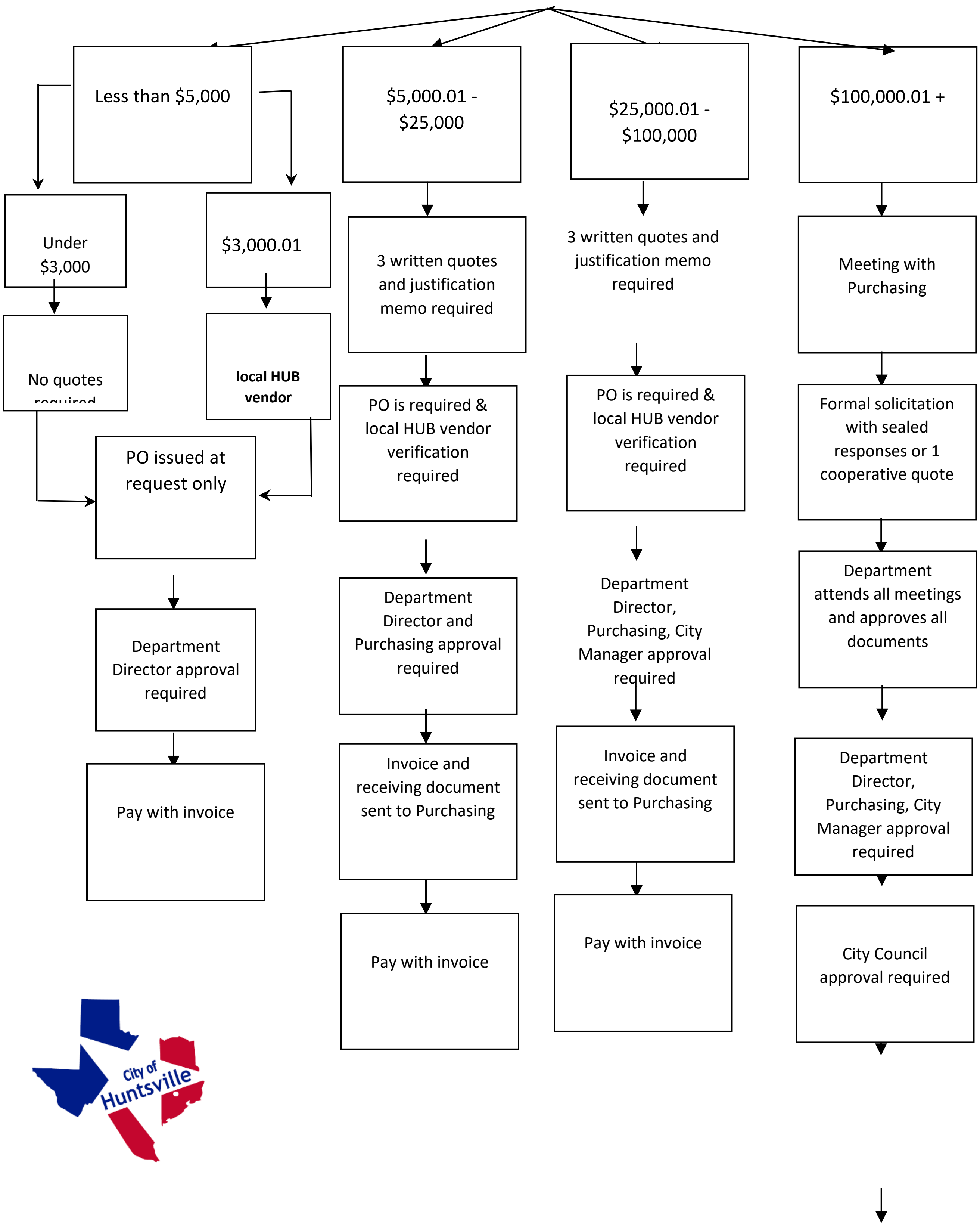
Value Engineering: A systematic technique used to improve the value of a project by identifying cost-saving alternatives without compromising quality, performance, or functionality. Under this approach, a contractor may:

- Voluntarily propose more economical methods or materials and share in any resulting cost savings; or
- Be contractually required to establish a value engineering program and submit proposals aimed at reducing costs while maintaining project objectives.

Vendor/Contractor: An individual or business entity that provides goods, equipment, labor, and/or services to the City in fulfillment of the terms and conditions outlined in an agreement, contract, or purchase order. The vendor or contractor is responsible for delivering the specified deliverables in accordance with the City's requirements.

APPENDIX A – FLOWCHARTS & DIAGRAMS

Purchasing


Less than $5,000
Under $3,000
No quotes
$3,000.01
local HUB vendor
PO issued at request only
Department Director approval required
Pay with invoice
$5,000.01 - $25,000
3 written quotes and justification memo required
PO is required & local HUB vendor verification required
Department Director and Purchasing approval required
Invoice and receiving document sent to Purchasing
Pay with invoice
$25,000.01 - $100,000
3 written quotes and justification memo required
PO is required & local HUB vendor verification required
Department Director, Purchasing, City Manager approval required
Invoice and receiving document sent to Purchasing
Pay with invoice
$100,000.01 +
Meeting with Purchasing
Formal solicitation with sealed responses or 1 cooperative quote
Department attends all meetings and approves all documents
Department Director, Purchasing, City Manager approval required
City Council approval required

Invoice and receiving document sent to Purchasing

Pay with invoice

THIS IS THE TYPICAL WORKFLOW.

Flow for all goods and services, which a purchase order (PO) is issued

End User verifies cooperative terms, quote, and gains supervisor approval
Initials: ______________________________

End user prepares agenda item – Supervisor approval gained
Initials: ______________________________

Director and Finance approval gained

End user places agenda in City Council Folder
Initials: ______________________________

Department Director presents to Council

End user prepares PO with quote, agenda and memo attached, forwards to Purchasing

Purchasing reviews, gains W-9, 1295, Bonds, Insurance & City Manager approval. Forward PO to end user.

End user orders and sends confirmation to cooperative

YES

Purchase Order Issued

Materials/Item is received

Product inspected

Picking list and/or Receiving Bill of Lading is signed

Invoice Received

Invoice is stamped coded and approved

Receiving documents, invoice and asset sheets set to Purchasing

Purchasing reviews packet, once discrepancy is cleared packet is set to A/P

A/P will review packet, if there is a discrepancy packet will be returned to department

No discrepancy, check issued by A/P

Purchasing conducts advertising. End user supplies list of suggested suppliers

End user and purchasing attends all meetings and opening

End user reviews solicitations and recommends award
Initials: ______________________________

End user prepares agenda item – Supervisor approval gained
Initials: ______________________________

Director and Finance approval gained

End user places agenda in City Council Folder
Initials: ______________________________

Department Director presents to Council

End user prepares PO with quote, agenda and memo attached, forwards to Purchasing

Purchasing reviews, gains W-9, 1295, Bonds, Insurance

Purchasing forwards to City Manager for

Purchasing forw
an

If single item is valued over $5,000 asset sheet to be completed

THIS IS THE TYPICAL WORKFLOW.

CONTACT

CITY COUNCIL FINANCE COMMITTEE AGENDA

11/18/2025

Agenda Item Number: 2.d.

Agenda Item: Consider proposed change to City of Huntsville Code of Ordinances, Chapter 2

Initiating Department/Presenter: Finance

Presenter:
Lance Hall, Finance Director

Discussion: Texas's new procurement limits for 2025, primarily set by the 89th Legislature's Senate Bill 1173 and House Bill 4747, raise the state and local competitive procurement threshold from $50,000 to $100,000, effective September 1, 2025

Financial Implications:

Associated Information:

1. Ordinance - 2025-32 The city of Huntsville Texas Code of Ordinances specifically Chapter 2

ORDINANCE NO. 2025-32

AN ORDINANCE OF THE CITY OF HUNTSVILLE, TEXAS, AMENDING THE CITY OF HUNTSVILLE, TEXAS CODE OF ORDINANCES, SPECIFICALLY CHAPTER 2 "ADMINISTRATION" BY AMENDING ARTICLE I, SECTION 2-2; AND ARTICLE IV, SECTION 2-91; AND MAKING OTHER PROVISIONS AND FINDING THERETO; AND DECLARING AN EFFECTIVE DATE.

WHEREAS, the Huntsville Code of Ordinances, Chapter 2 "ADMINISTRATION" provides for budgetary and financial procedures and regulations; and

WHEREAS, the City Charter, Article 11 Section 11.15 provides for the City Council to confer upon the City Manager general authority to contract for expenditures without further approval of the Council for all budgeted items; and

WHEREAS, the City Council of the City of Huntsville, Texas, now wishes to codify in the Huntsville Code of Ordinances the amendments to the City Manager's general authority for expenditures and intrafund and budget transfers as set forth in Ordinance 2025-26; and

WHEREAS, the City Council of the City of Huntsville, Texas now wishes to make amendments to Chapter 2, Article I "in the General "by amending Section 2-2, and Chapter 2, Article IV "Purchasing Procedures" by amending Section 2-91 to help promote efficiency in the administration of finance; and

WHEREAS, notice of the agenda for this meeting was given in accordance with the law by posting the same at the place reserved and designated for notices of public meetings and public activities, and prior to the adoption of this ordinance;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HUNTSVILLE, TEXAS, that:

Section 1. The facts and matters set forth in the preamble of this Ordinance are to be found true and correct and are hereby adopted, ratified, and confirmed.

Section 2. That Article I of Chapter 2, of the Huntsville Code or Ordinances, is hereby amended by amending Section 2-2 as shown in the Exhibit "A" attached hereto and adopted for all purposes.

Section 3. That Article IV of Chapter 2 of the Huntsville Code of Ordinances is hereby amended by amending Section 2-91 as shown in the Exhibit "A" attached hereto and adopted for all purposes.

Section 4. All ordinances or parts of the Ordinances that are in conflict or inconsistent with the provisions of this ordinance shall be, and the same are hereby, repealed, and all other ordinances of the City not in conflict with the provisions of this ordinance shall remain in full force and effect.

Section 5. Should any paragraph, sentence, clause, phrase or section of this Ordinance be adjudged or held to be unconstitutional, illegal or invalid, the same shall not affect the validity of this Ordinance as a whole or any part or provision thereof, other than the part so declared to be invalid, illegal or unconstitutional.

Section 6. This ordinance shall take effect immediately after its passage.

First reading date: November 18, 2025

PASSED AND APPROVED on this the 2nd day of December 2025

THE CITY OF HUNTSVILLE, TEXAS

____
Russell Humphrey, Mayor

ATTEST:

____
Kristy Doll, City Secretary

APPROVED AS TO FORM:

____
Leonard Schneider, City Attorney

Exhibit A

Chapter 2 – Administration

ARTICLE I. -IN GENERAL

Sec. 2-2. - Budget transfers and contingency reserves for future allocations.

The city manager shall have the authority, without first obtaining approval from the city council, to approve intrafund budget transfers. The city manager shall have authority to amend budgeted contingency reserve for future allocation funds of the city for amounts not to exceed ~~$50,000~~ $100,000.00 per transfer or allocation. However, any increases in budget for personnel positions or equivalents, other than temporary or overtime expenditures, shall be approved by council. A quarterly report shall be provided to the city council showing all budget transfers between divisions and all contingency allocations processed. Further reports of the transfers will be made as an informational item as soon as possible at a regularly scheduled council meeting.

ARTICLE IV. -PURCHASING PROCEDURES

Sec. 2-91. - Contracts approved by council.

(a) All contracts for expenditures and/or changes orders involving ~~$50,000~~ $100,000.00 or more must be expressly approved in advance by the city council.

(b) All contracts for expenditures involving ~~$3,000~~ $5,000.00 or more must be expressly approved in advance by the city council, if:

(1) The expenditure is not budgeted or amended from future allocation funds; or

(2) The city administration proposes to award the bid to other than the low bidder meeting specifications.

CITY COUNCIL FINANCE COMMITTEE AGENDA

11/18/2025

Agenda Item Number: 2.e.

Agenda Item: Discussion of Fiscal Policies with proposed changes

Initiating Department/Presenter: Finance

Presenter:
Lance Hall, Finance Director

Discussion: Discussion of Fiscal Policies with proposed changes due changes in state law, Texas's new procurement limits for 2025, primarily set by the 89th Legislature's Senate Bill 1173 and House Bill 4747, raise the state and local competitive procurement threshold from $50,000 to $100,000, effective September 1, 2025

Financial Implications:

Associated Information:
1. Exhibit B FY 25-26 Fiscal Policies updated 100825 lmh increase limit (1) (1)

Fiscal and Budgetary Policies

I. STATEMENT OF PURPOSE

The purpose of the Fiscal and Budgetary Policies is to identify and present an overview of policies dictated by state law, the City Charter, City ordinances, and administrative policies. The aim of these policies is to achieve long-term stability and a positive financial condition. These policies provide guidelines to the administration and finance staff in planning and directing the City's day-to-day financial affairs and in developing financial recommendations to the City Council. These policies set forth the basic framework for the overall fiscal management of the City. Operating independently of changing circumstances and conditions, these policies assist in the decision-making process. These policies provide guidelines for evaluating both current activities and proposals for future programs.

These policies represent long-standing principles, traditions and practices which have guided the City in the past and have helped maintain financial stability. An important aspect of the policies is the application of budget and fiscal policies in the context of a long-term financial approach. The scope of these policies span accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, asset management and debt management.

The City Council and/or Finance Committee annually review and approve the Fiscal and Budgetary Policies as part of the budget process.

II. BASIS OF ACCOUNTING

A. **Accounting in Accordance With GAAP.** The City's finances shall be accounted for in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board.

1. **Organization of Accounts.** The accounts of the City shall be organized and operated on the basis of funds. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions

2. **Fund Structure.** The City of Huntsville uses the following fund groups:

<u>Governmental Funds:</u>
General Fund
General Obligation Debt Service Fund
Capital Projects Funds

<u>Special Revenue Funds</u>:
Municipal Court Special Revenues
Library Special Revenues
Airport Special Revenues
Police Special Revenues
Hotel/Motel Tax & Arts

<u>Proprietary Funds</u>:

<u>Enterprise Funds</u>:

Utility Fund (Water & Wastewater operations)
Solid Waste Fund
Drainage Fund

<u>Internal Service Funds:</u>

Medical Insurance
Equipment Replacement
Computer Replacement

<u>Permanent Funds</u>:

Library Endowment
Oakwood Cemetery Endowment

<u>Trust Funds</u>:

Retiree PEB Trust –Medical
Scholarship Fund
Employee Assistance Fund

3. **Governmental Fund Types.** Governmental funds are used to account for the government's general government activities and include the General, Special Revenue, General Obligation Debt Service and Capital Project funds. Governmental fund types shall 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, which are recorded when due, and compensated absences, which are recorded when payable from currently available financial resources.

4. **Proprietary Fund Types.** Proprietary fund types are used to account for the City's business type activities (e.g., activities that receive a significant portion of their funding through user charges). The City has two types of proprietary funds: Enterprise Funds and Internal Service Funds. The City's 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. Enterprise funds receive their revenues primarily through user charges for service. Internal Service funds receive their revenues primarily from the other funds of the City.

5. **Permanent Funds.** The Library Endowment Fund and Oakwood Cemetery Endowment Fund are used to account for endowments received by the City. Money available for expenditures in these funds are the accumulated interest earnings.

6. **Trust Funds.** The PEB Trust for retirees is used to account for funds designated for use for retiree Health Insurance costs if needed. Monies in this Fund help to lessen the City's Unfunded Accrued Actuarial Liability (UAAL) that is the result of the City providing a health insurance benefit to certain retirees. The Employee Assistance

Fund is funded by contributions from City employees and monies are used to assist employees encountering catastrophic illness (examples – cancer, vehicle accidents, etc.) medical costs. The Scholarship Fund is also funded by contributions from employee. The monies are used to provide scholarships to graduating seniors of employees who will be continuing their education at a university, junior/community college, or a technical school.

7. **Encumbrance Accounting.** The City shall utilize encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

III. OPERATING BUDGET

A. BUDGET PROCESS.

1. **Proposed Budget.** Section 11.05 of the City Charter requires that the City Manager submit to the City Council a proposed budget at least 30 days prior to the end of the fiscal year that presents a complete financial plan for the ensuing year. Public hearings shall be held in the manner prescribed by the laws of the State of Texas relating to budgets in cities and towns. The Charter requires that no budget be adopted or appropriations made unless the total of estimated revenues, income and funds available shall be equal to or in excess of such budget or appropriations. Past practice has been to present a draft budget to City Council at least six weeks prior to fiscal year end.

   a. The budget shall include four basic segments for review and evaluation: (1) personnel costs, (2) base budget (same level of service) for operations and maintenance costs, (3) decision packages for capital and other (non-capital) project costs, and (4) revenues.

   b. The budget review process shall include City Council participation in the development of each of the four segments of the proposed budget.

   c. The budget process will allow the opportunity for the City Council to address policy and fiscal issues.

   d. A copy of the proposed budget shall be posted on the City’s website when it is submitted to the City Council.

2. **Modified Incremental Approach.** The operating budget less prior year supplemental requests, shall serve as the starting point for budget estimates.

3. **Adoption.** Upon the presentation of a proposed budget document to the City Council, the City Council shall call and publicize a public hearing. The City Council shall subsequently adopt by Ordinance such budget, as it may have been amended, as the City's Annual Budget, effective for the fiscal year beginning October 1.

   As required by Section 11.05 of the Charter, if the City Council takes no action to adopt a budget on or prior to September 27th, the budget as submitted by the City Manager, is deemed to have been finally adopted by the City Council.

4. **Government Finance Officers Association.** The annual budget shall be submitted to the Government Finance Officers Association (GFOA) for evaluation and consideration for the Distinguished Budget Presentation Award.

5. **Truth in Taxation**. Budget development procedures will be in conformance with State law, outlined in the Truth in Taxation process. In the event of a tax increase, at least two notices will be given and public hearings held.

B. PLANNING. Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. The budget planning process is for a five year period recognizing that budgets are influenced by decisions made in prior year budgets and that decisions made in the current year budgets serve a precursor to future budget requirements. The City shall recognize both short-term needs and objectives in relation to the long-term goals of the City.

C. PREPARATION. The operating budget is the City's annual financial operating plan. The budget includes all of the operating departments of the City, the debt service fund, all capital projects funds, internal service funds, and all special revenue funds of the City. An annual budget shall be prepared for all funds of the City, with the exception that capital projects will be budgeted on a project length basis, rather than an annual basis.

1. **Basis of Budget.** Operating budgets are adopted on a basis consistent with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board, with exceptions, including that depreciation is not included in the budget, capital purchases are budgeted in the year of purchase, unmatured interest on long-term debt is recognized when due, and debt principal is budgeted in the year it is to be paid.

   a. Governmental Fund Types are budgeted on a modified accrual basis, with exceptions as noted above. Revenues are included in the budget in the year they are expected to become measurable and available. Expenditures are included in the budget when they are measurable, a liability is incurred, and the liability will be liquidated with resources included in the budget.

   b. Capital project budgets are project length budgets and are budgeted on a modified accrual basis.

   c. Proprietary fund types are budgeted generally on an accrual basis with exceptions as noted above. Revenues are budgeted in the year they are expected to be earned and expenses are budgeted in the year the liability is expected to be incurred. The emphasis is on cash transactions in lieu of non-cash transactions, such as depreciation. The focus is on the net change in working capital.

2. **Legal Level of Control.** The budget shall be adopted at the "legal level of control," which is, by Division, within individual funds. The level at which management, without prior council approval, loses the ability to reapply budgeted resources from one use to another is known as the budgets' "legal level of control." The City has a number of levels of detail in the operating budgets - the fund, the department, the division, the object and the line item.

Example:
Fund - General Fund
Department - Public Safety
Division - Police
Object - Salaries, Other Pay and Benefits
Line Item - Regular Salaries

In the above example, the legal level of control is the budget total for the Police Division. Department Heads may not exceed budget allocations at the object code level in controllable account without City Manager approval.

3. **Identify Available Funds.** The budget shall be sufficiently detailed to identify all available funds. The format will include estimated beginning funds, sources of funds, uses of funds, and estimated remaining funds at budget year-end. An actual prior year, estimated current year and proposed budget shall be presented.

4. **Interfund Transfers/Charges.** A summary showing transfers and charges between funds will be provided during the budget process to explain the "double counting" of revenues and expenditures.

5. **Periodic Reports.** In compliance with Section 11.02(e) of the Charter, the City will maintain a budgetary control system to ensure adherence to the budget and will prepare periodic reports comparing actual revenues, expenditures and encumbrances with budgeted amounts.

6. **Self Sufficient Enterprise Funds.** Enterprise operations, Utility Fund, Solid Waste, are intended to be self-sufficient.

7. **Administrative Cost Reimbursement.** Enterprise fund budgets shall include a reimbursement to the General Fund to pay a proportionate share of administrative costs. Documentation to support the transfer shall be presented to City Council during the budget process.

8. **Charges to Other Funds by Internal Service Funds.** Charges by internal service funds to user divisions and funds shall be documented as part of the budget process.

9. **Appropriations Lapse.** Pursuant with Section 11.06 of the Charter, annual appropriations lapse at year end. Items purchased through the formal purchase order system (i.e., the encumbered portions), and not received by fiscal year end, are presented to City Council for re-appropriation in the subsequent fiscal year. To be eligible for automatic re-appropriation in a subsequent year, the goods or services must have been ordered in good faith and appropriated in the year encumbered.. The original budget is amended to include the re-appropriations. Capital projects budgets do not lapse at year-end.

10. **Performance Indicators and Productivity Indicators.** The annual budget, where possible, will utilize performance measures and productivity indicators.

D. BALANCED BUDGET. The budget shall be balanced using a combination of current revenues and available funds. Current year operating expenses shall be funded with current year generated revenues. No budget shall be adopted unless the total of estimated revenues, income, and funds available is equal to or in excess of such budget.

E. REPORTING. Periodic financial reports shall be prepared to enable the Department Heads to manage their budgets and to enable monitoring and control of the budget.

F. CONTROL. Operating Expenditure Control is addressed in Section V of these Policies.

G. CONTINGENT APPROPRIATION. The General Fund, Utility Fund, and Solid Waste Fund may have an adequate contingent appropriation. This contingent appropriation, titled "Reserve for Future Allocation", shall be disbursed only by transfer to another departmental appropriation. Transfers from this item shall be controlled as outlined in Section VI, D of these policies.

H. EMPLOYEE BENEFITS. The City budget process shall include a review of employee benefits.

1. Medical Insurance Fund - The Finance Committee shall review rates to be charged for employee and dependent coverage.

2. Retirement Plan - The City is a member of the Texas Municipal Retirement System (TMRS). Employees working at least 1,000 hours per year shall contribute 7% to the TMRS plan. The City's match will be established according to TMRS rates for the benefit levels elected by the City. Any budgeted funds not spent can be deposited with TMRS to reduce the City's unfunded liability with Council's approval or will revert back to the unallocated monies in the appropriate fund.

3. Workers Compensation Insurance - The City shall participate in the Texas Municipal League (TML) Workers Compensation Risk Pool. Rates for required coverage will be established by the Pool, adjusted for experience on an annual basis. Refunds that may be granted through the pool will be prorated between the City funds. Unspent monies will revert back to the appropriate fund.

4. Social Security/Medicare - The City does not pay Social Security for employees. Medicare is paid for employees hired after March 31, 1986 or for those employees otherwise having access through the City.

5. Recommendations for adjustments to the pay and classification system will be made annually in order to maintain external parity and internal equity. Recommendations will be built into the proposed basic budget.

IV. RESERVES/UNALLOCATED FUNDS

A. OPERATING RESERVES/FUND BALANCES. The City shall maintain unallocated reserves in operating funds to pay expenditures caused by unforeseen emergencies or for shortfalls caused by revenue declines, and to eliminate any short-term borrowing for cash flow purposes. Generally, unallocated reserves for all operating funds excluding, Internal Service Funds, Capital Projects, and Special Revenue Funds shall be maintained at a minimum amount of 25% of the annual budget (less transfers to capital projects) for each fund unless specifically identified in this section. Unallocated reserves shall not be used to support on-going operating expenditures. This reserve is defined as unreserved current assets less inventory and on-going receivables (ex. utility billing, sales tax) minus current liabilities payable from these assets.

B. FUND BALANCES USED FOR CAPITAL EXPENDITURES. Reserves shall be used for one time capital expenditures only if:

1. there are surplus balances remaining after all reserve and fund allocations are made; or

2. the City has made a rational analysis with justifying evidence that it has an adequate level of short and long-term resources.

C. SPECIFIC APPROPRIATION BY CITY COUNCIL. If fund balances are used to support one time capital and onetime non-operating expenditures, the funds must be specifically appropriated by the City Council.

D. CITY MANAGER'S AUTHORITY TO ASSIGN FUND BALANCE/UNALLOCATED RESERVES.
At times, the City may be in various planning stages of projects. Each project will undoubtedly have its own funding considerations and challenges. As a means of planning for projects and ensuring (when necessary and appropriate) the availability of Unallocated Reserves to pay for projects, the City Manager is hereby authorized to place certain Unallocated Reserves in each of the City's funds in "Assigned" status. The definition of the term Assigned is as follows: Assigned Unallocated Reserves includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed (as defined by GASB 54). When Unallocated Reserves are placed in the "Assigned" status, they are to be noted and reduced as part of the balance of Unallocated Reserves as calculated in the Fiscal and Budgetary Policies , Section IV, A. The City Manager may assign Unallocated Reserves under the following circumstances if the amount exceeds $100,000:

1. Matching funds for grants applied for with approval from the City Council.
2. When the City Manager is presented with documentation illustrating an adopted Capital Improvement Project is expected to be in excess of budgeted funds.
3. When the City Manager has documented reason to believe that claims will exceed budgeted revenues in the City's Medical Insurance Fund.
4. When the City is engaged in litigation for which there is not expected to be third party insurance coverage.
5. For Economic Development Incentive Agreements and/or Developers Agreements approved by Council.
6. When the City Manager has documented reason to believe an amendment to the budget will be necessary for which Unallocated Reserves will be the most likely source of funds.
7. When the Council has approved a project and directed staff to proceed and the next sequential step in the project (feasibility study, programming, rate study, conceptual design, full design or construction) has not yet been identified for funding.

The City Manager and/or his designee shall update the Assigned Unallocated Reserve three times annually as follows:

1. As soon as practical after the Council has adopted the Budget.
2. As soon as practical after the Comprehensive Annual Financial Report is complete.
3. In conjunction with the annual budget adoption.

The updates described above will be reviewed, discussed and adopted by the Council Finance Committee.

E. SPECIAL REVENUE FUNDS. Monies in the Special Revenue Funds shall be expended for their intended purposes, in accordance with an approved budget. There is no reserve requirement.

F. CAPITAL PROJECT FUNDS. Monies in the Capital Projects Funds shall be expended in accordance with an approved budget. There is no reserve requirement.

G. INTERNAL SERVICE FUNDS. Working capital in equipment replacement funds will vary to meet annual fluctuations in expenditures. Monies in the Internal Service Funds shall be expended for their intended purpose in conformance with the approved budget and approved replacement schedules. Additions to the Fleet or additional computer equipment will not be funded from replacement funds without council approval.

H. GENERAL OBLIGATION DEBT SERVICE FUND AND INTEREST ACCOUNTS. Reserves in the General Obligation Debt Service Fund and Utility Fund's Interest and Sinking accounts shall be maintained as required by outstanding bond indentures. Reduction of reserves for debt shall be done only with City Council approval after the Council has conferred with the City's financial advisor to ensure there is no violation of bond covenants.

I. DEBT COVERAGE RATIOS. Debt Coverage Ratios shall be maintained as specified by the bond covenants.

J. MEDICAL INSURANCE FUND RESERVE. A reserve shall be established in the City's Health Insurance Fund to avoid potential shortages. The reserve amount shall be 6 months of budgeted claims for Medical and Dental claims. Such reserve shall be used for no purpose other than for financing losses under the insurance program.

K. The City shall contract for an actuarial review once every two years related to its OPEB liability for retiree medical insurance benefit, in accordance with Government Accounting Standard Board pronouncements.

V. REVENUE MANAGEMENT

A. CHARACTERISTICS OF THE REVENUE SYSTEM. The City strives for the following optimum characteristics in its revenue system:

1. **Simplicity and Certainty.** The City shall strive to keep the revenue classification system simple to promote understanding of the revenue sources. The City shall describe its revenue sources and enact consistent collection policies to provide assurances that the revenues are collected according to budgets and plans.

2. **Equity.** The City shall make every effort to maintain equity in its revenue system structure. The City shall minimize all forms of subsidization between entities, funds, services, utilities, and customers.

3. **Realistic and Conservative Estimates.** Revenues are to be estimated realistically. Revenues of volatile nature shall be budgeted conservatively.

4. **Centralized Reporting.** Receipts will be submitted daily to the Finance Department for deposit and investment. Daily transaction reports and supporting documentation will be prepared.

5. **Review of Fees and Charges.** The City shall review all fees and charges annually in order to match fees and charges with the cost of providing that service.

6. **Aggressive Collection Policy.** The City shall follow an aggressive policy of collecting revenues. Utility services will be discontinued (i.e. turned off) for non-payment in accordance with established policies and ordinances. The attorney responsible for delinquent tax collection, through the central collection agency, shall be encouraged to collect delinquent property taxes using an established tax suit policy and sale of real and personal property to satisfy non-payment of property taxes. A warrant officer will aggressively pursue outstanding warrants, and the Court will use a collection agency to pursue delinquent fines.

B. NON-RECURRING REVENUES. One-time or non-recurring revenues will not be used to finance current ongoing operations. Non-recurring revenues will be used only for one-time expenditures such as capital needs.

C. PROPERTY TAX REVENUES. All real and business personal property located within the City shall be valued at 100% of the fair market value based on the appraisal supplied by the Walker County Appraisal District. Reappraisal and reassessment is as provided by the Appraisal District. Property tax rates shall be maintained at a rate adequate to fund an acceptable service level. Based upon taxable values, rates may be adjusted to fund this service level. Collection services shall be contracted out with a central collection agency, currently the Walker County Appraisal District.

D. INTEREST INCOME. Interest earned from investment of available monies, whether pooled or not, shall be distributed to the funds in accordance with the equity balance of the fund from which monies were invested.

E. USER-BASED FEES AND SERVICE CHARGES. For services associated with a user fee or charge, the direct and indirect costs of that service shall be offset wholly or partially by a fee where possible. There shall be an annual review of fees and charges to ensure that the fees provide adequate coverage of costs of services. Full fee support for operations and debt service costs shall be required in the Proprietary Funds. Partial fee support shall be generated by charges for miscellaneous licenses and fines, sports programs, and from other parks, recreational, cultural activities, and youth programs.

F. UTILITY RATES. The City shall review and adopt utility rates annually that generate revenues required to cover operating expenditures, meet the legal requirements of applicable bond covenants, and provide for an adequate level of working capital.

G. COST REIMBURSEMENTS TO THE GENERAL FUND. The General Fund shall be reimbursed by other funds for a proportionate share of administrative costs. Documentation to support the transfer shall be presented to City Council as part of the budget process.

H. INTERGOVERNMENTAL REVENUES/GRANTS/SPECIAL REVENUES. Grant revenues and other special revenues shall be spent for the purpose(s) intended. The City shall review grant match requirements and include in the budget all grant revenues and expenditures.

I. REVENUE MONITORING. Revenues actually received are to be regularly compared to budgeted revenues.

J. REVENUE PROJECTIONS. Each existing and potential revenue source shall be re-examined annually.

VI. EXPENDITURE CONTROL

A. APPROPRIATIONS. The responsibility for budgetary control lies with the Department Head. Department Heads may not approve expenditures that exceed monies available at the object code level. Capital expenditures are approved by the City Council on a per project basis.

B. AMENDMENTS TO THE BUDGET. In accordance with the City Charter, the City Council may transfer any unencumbered appropriated balance or portion thereof from any office, department, or agency to another at any time.

C. CITY MANAGER'S AUTHORITY TO AMEND BUDGET.

1. **Reserve for Future Allocation.** The City Manager may authorize transfers of $100,000 or less from the budgeted Reserve for Future Allocation. For authorizations of $50,000 or less, the City Manager will report the use of Reserve for Future Allocation as an informational item. For authorizations between $50,001 and $100,000, the City Manager shall provide written notice to the Council of his/her intent to authorize a transfer of Reserve for Future Allocation in excess of $50,000 (but not more than $100,000), and allow seven (7) business days to pass without a request by a Councilmember to place the proposed expenditure on a City Council meeting agenda for full City Council consideration.

2. **Transfer Between Line Items.** The City Manager may, without prior City Council approval, authorize transfers between budget line items within a Fund with the exception that:

a) Transfers from Salary and Benefit accounts shall stay within the Salary and Benefits account classification/object code.

b) Savings from City Council approved capital purchases may not be spent for other than their intended purpose;

c) Additions to the Fleet and additional computer equipment may not be purchased from equipment replacement funds

3. **Capital Project Budgets.** The City Manager shall have the authority to transfer amounts between line items of a capital project budget and to transfer monies from a project's Contingency Reserve to fund change orders on the project. The City Manager, without prior Council approval, may approve a change order to a construction or engineering contract in an amount not to exceed $100,000, as long as the cumulative total of all change orders to the project do not exceed the State allowed maximum of 25% of the original contract price.

D. PURCHASING. All purchases shall be made in accordance with the Purchasing Procurement and Disposition Policies approved by the Finance Committee. Purchasing will review all bids before posting. The sealed bid requirement is $100,000 if the anticipated bid is $100,000 or greater. Purchases of $100,000 and more in any one fiscal year from any one vendor whether a single purchase or separate or sequential purchases require city council approval. Purchases of less than $100,000 from a single vendor added to purchases of less than $100,000 from another vendor creating an asset of $100,000 or more do not require Council approval. The following shows a summary of approval requirements for purchases.

APPROVAL REQUIREMENTS FOR PURCHASES

Dollar Figure	Supervisor Or Director Designee	Department Director	Purchasing Agent	City Manager	City Council
Less than $5,000	✓				
$5,000 to less than $25,000 (Quotation Form and Purchase Order)	✓	✓	✓		
$25,000 to less than $100,000 (Purchase Order)	✓	✓	✓	✓	
$100,000 or more		✓	✓	✓	✓

✓ Denotes signature approval

E. CONTRACTS. The City Manager, or Mayor as authorized by Council, shall be the signature authority on contracts above $20,000 pursuant to the approval requirement for purchases as outlines after review by the City Attorney and Finance Director.

F. PROMPT PAYMENT. All invoices approved for payment by the proper City authorities shall be paid by the Finance Department within thirty (30) calendar days of receipt, in accordance with the provisions of state law. Proper procedures shall be established that enables the City to take advantage of all purchase discounts, except in the instance where payments can be reasonably and legally delayed in order to maximize the City's investable cash.

VII. CAPITAL IMPROVEMENTS PROGRAM AND THE CAPITAL BUDGET.

A. PROGRAM PLANNING. The City shall develop and maintain a multi-year plan for capital improvements and make capital improvements in accordance with the approved plan. The Capital Improvements Program will be updated annually. The Capital Improvements Program (CIP) is a planning document and does not authorize or fund projects. The planning time frame for the capital improvements program will normally be five to ten years.

B. BUDGET PREPARATION. The capital budget shall evolve from the Capital Improvements Program. Capital project expenditures must be appropriated in the capital budget. A funding source and resource availability shall be presented to the City Council at the time a project is presented for funding. The City's Capital Budget is to be prepared annually in conjunction with the operating budget on a fiscal year basis to ensure that capital and operating needs are balanced against each other. Projects approved for funding from the Capital Improvements Program will be included in the Capital Budget.

C. PROJECT LENGTH BUDGET. A budget for a capital project shall be a project length budget. At the end of the fiscal year, the unspent budget of an approved capital project shall automatically carry forward to the subsequent fiscal year until the project is completed. At project end, funds shall be available for project reallocation or returned to the originating fund.

D. BUDGET AMENDMENT. All budget amendments shall be in accordance with State law. City Manager authority to amend the budget is identified in Section VI - D.

E. FINANCING PROGRAMS. Alternative financing sources will be explored. The term of the debt issue may not exceed the expected useful life of the asset.

F. REPORTING. Periodic financial reports shall be prepared to enable the Department Heads to manage their capital budgets and to enable the Finance Department to monitor, report, and provide information about the capital budget.

G. EVALUATION CRITERIA. Capital investments shall foster goals of economic vitality, neighborhood vitality, infrastructure preservation, provide service to areas lacking service and improve services in areas with deficient services. Evaluation criteria for selecting which capital assets and projects to include for funding shall include the following:

- mandatory projects
- efficiency improvement
- policy area projects
- project's expected useful life
- availability of state/federal grants
- prior commitments
- maintenance projects
- project provides a new service
- extent of usage
- effect of project on operation and maintenance costs
- elimination of hazards

VIII. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

A. ACCOUNTING. The Finance Director is responsible for establishing the Chart of Accounts and for recording financial transactions.

B. AUDITING.

1. **Qualifications of the Auditor**. Section 11.16 of the City's Charter requires the City to be audited annually by independent accountants ("auditor"). The CPA firm must demonstrate that it has staff to conduct the City's audit in accordance with generally accepted auditing standards and contractual requirements. The auditor must be licensed by the State of Texas.

2. **Responsibility of Auditor to City Council and Finance Committee.** The auditor is retained by and is accountable to the City Council. The auditor shall communicate directly with the Finance Committee as necessary to fulfill its legal and professional responsibilities. The auditor's report on the City's financial statements shall be completed within 120 days of the City's fiscal year end.

3. **Selection of Auditor.** The City shall request proposals for audit services at least once every three years. The City shall select the auditor by May 31, of each year. As required in Section 11.16 of the City Charter, the Auditor is appointed by the Mayor, with approval of the Council. The Certified Public Accountant shall have no personal interest, directly or indirectly, in the financial affairs of the City or any of its officers.
4. **Contract with Auditor.** The agreement between the independent auditor and the City shall be in form of a written contract. A time schedule for completion of the audit shall be included.

5. **Scope of Audit.** All general purpose statements, combining statements and individual fund and account group statements and schedules shall be subject to a full scope audit.

6. **Publication of Results of Audit.** As required by Section 11.16 of the City Charter, notice of the completion of the audit shall be published in a newspaper and copies placed in the office of the Director of Finance and the Huntsville Public Library. A copy will also be available in the office of the City Secretary.

C. FINANCIAL REPORTING.

1. **External Reporting.** As a part of the audit, the auditor shall assist with preparation of a written Annual Comprehensive Financial Report (ACFR) to be presented to the City Council. The ACFR shall be prepared in accordance with generally accepted accounting principles (GAAP) and shall be presented annually to the Government Finance Officers Association (GFOA) for evaluation and consideration for the Certificate of Achievement for Excellence in Financial Reporting.

2. **Availability of Reports.** The annual comprehensive financial report shall be made available to the elected officials, bond rating agencies, creditors and citizens.

3. **Internal Reporting.** The Finance Department shall prepare internal financial reports, sufficient to plan, monitor, and control the City's financial affairs.

IX. INVESTMENTS AND CASH MANAGEMENT

A. DEPOSITORY BANK. A Depository Bank shall be selected by the City Council for a five-year period, according to Local Government Code Chapter 105.017, and may be renewed in accordance with the Public Funds Investment Act. A request for proposal shall be used as the means of selecting a Depository Bank. The Depository Bank shall specifically outline safekeeping requirements.

B. DEPOSITING OF FUNDS. The Finance Director shall promptly deposit all City funds with the Depository Bank in accordance with the provisions of the current Bank Depository Agreement and the City Council approved Investment Policies. Investments and reporting shall strictly adhere to the City Council approved Investment Policies.

C. INVESTMENT POLICY. All funds shall be invested in accordance with the approved investment policy. Investment of City funds emphasizes preservation of principal. Objectives are, in order, safety, liquidity and yield. A procedures manual shall be approved by the Finance Committee.

D. MONTHLY REPORT. A monthly cash and investment report shall be prepared.

X. ASSET MANAGEMENT

A. FIXED ASSETS AND INVENTORY. A fixed asset of the City is defined as a purchased or otherwise acquired piece of equipment, vehicle, furniture, fixture, capital improvement, infrastructure addition, or addition to existing land, buildings, etc. A fixed asset’s cost or value is $5,000 or more, with an expected useful life greater than one year. Improvements and infrastructure values are $25,000 or more in cost with a useful life or extension of five years.

B. MAINTENANCE OF PHYSICAL ASSETS. The City will maintain its physical assets at a level adequate to protect the City’s capital investment and minimize future maintenance and replacement costs. The budget will provide for the adequate maintenance and the orderly replacement of fixed assets.

C. OPERATIONAL PROCEDURES MANUAL. Records shall be purged that do not meet the capitalization criteria and operational procedures shall be in accordance with a fixed asset records procedure manual.

D. SAFEGUARDING OF ASSETS. The City's fixed assets will be reasonably safeguarded and properly accounted for. Responsibility for the safeguarding of the City's fixed assets lies with the Department Head in whose department the fixed asset is assigned.

E. MAINTENANCE OF RECORDS. The Finance Department shall maintain the records of the City's fixed assets including description, cost, department of responsibility, date of acquisition and depreciation where applicable. Records of land and rights-of-way shall be maintained in the Planning & Development Department.

F. ANNUAL INVENTORY. An annual inventory of assets shall be performed and accounted for by each department using guidelines established by the Finance Department. Such inventory shall be performed by the Department Head or the designated agent. The Department Head shall use a detailed listing and shall be responsible for a complete review of assigned fixed assets. A signed inventory list shall be returned to the Finance Department.

G. INFRASTRUCTURE MAINTENANCE. The City recognizes that deferred maintenance increases future capital costs. Funds shall be included in the budget each year to maintain the quality of the City's infrastructure. Replacement schedules should be developed in order to anticipate this inevitable ongoing and obsolescence of infrastructure.

H. SCHEDULED REPLACEMENT OF ASSETS. As part of the ongoing replacement of assets, the City has established Equipment Replacement Funds. These funds charge the user funds, based on the estimated replacement cost and estimated life of the equipment. The City maintains fleet and computer replacement funds.

XI. DEBT MANAGEMENT

A. DEBT ISSUANCE. The City shall issue debt when the use of debt is appropriate and specifically approved by the City Council and expenditure of such monies shall be in strict accordance with the designated purpose.

B. ISSUANCE OF LONG-TERM DEBT. The issuance of long-term debt is limited to use for capital improvements or projects that cannot be financed from current revenues or resources and future citizens will receive a benefit from the improvement. Debt may be issued for the purposes of purchasing land or rights-of-way and/or improvements to land, street improvements, or construction projects to provide for the general good. For purposes of this policy, current resources are defined as that portion of fund balance in excess of the required reserves. The payback period of the debt will be limited to the estimated useful life of the capital projects or improvements.

C. The City shall strive to schedule debt issues to take advantage of the small issuer status designation in regard to Federal Arbitrage laws.

D. PAYMENT OF DEBT. When the City utilizes long-term debt financing it will ensure that the debt is financed soundly by realistically projecting the revenue sources that will be used to pay the debt; and financing the improvement over a period not greater than the useful life of the improvement.

E. TYPES OF DEBT.

1. **General Obligation Bonds (G.O.'s).** General obligation bonds shall be used only to fund capital assets of the general government, and not used to fund operating needs of the City. General obligation bonds are backed by the full faith and credit of the City as well as the ad valorem tax authority of the City. The term of a bond issue shall not exceed the useful life of the asset(s) funded by the bond issue. General obligation bonds must be authorized by a vote of the citizens of the City of Huntsville.

2. **Revenue Bonds (R.B.'s).** Revenue bonds shall be issued as determined by City Council to provide for the capital needs of any activities where the capital requirements

are necessary for continuation or expansion of a service which produces revenue and for which the asset may reasonably be expected to provide for a revenue stream to fund the debt service requirements. The term of the obligation may not exceed the useful life of the asset(s) to be funded by the bond issue.

3. **Certificates of Obligation (C.O.'s).** Certificates of obligation may be used in order to fund capital assets. Debt service for C.O.'s may be either from general revenues or backed by a specific revenue stream or streams or by a combination of both. C.O.'s may be used to fund capital assets where full bond issues are not warranted as a result of the cost of the asset(s) to be funded through the instrument. Infrastructure and building needs may also be financed with Certificates of Obligation, after evaluation of financing alternatives by the City's Financial Advisor. The term of the obligation may not exceed the useful life of the asset(s) to be funded by the proceeds of the debt issue.

4. **Tax Anticipation Notes.** Tax Anticipation Notes may be used to fund capital assets of the general government or to fund operating needs of the City. Tax Anticipation Notes are backed by the full faith and credit of the City as well as the ad valorem tax authority of the City. The term of a note issue shall not exceed the useful life of the asset(s) funded by the debt issued or seven years whichever is less.

5. **Capital Lease.** Capital leases may be used to fund capital assets with shorter lives (generally less than 10 years) for vehicles, equipment and software. The term shall not exceed the useful life of the assets.

F. METHOD OF SALE. The City shall use a competitive bidding process in the sale of bonds and certificates of obligation unless some other method is specifically agreed to by City Council.

G. FINANCIAL ADVISOR. The Finance Committee will recommend to the City Council a financial advisor to oversee all aspects of any bond issue.

H. ANALYSIS OF FINANCING ALTERNATIVES. Staff will explore alternatives to the issuance of debt for capital acquisitions and construction projects. These alternatives will include, but not be limited to, 1) grants in aid, 2) use of reserves, 3) use of current revenues, 4) contributions from developers and others, 5) leases, and 6) impact fees.

I. DISCLOSURE. Full disclosure of operations shall be made to the bond rating agencies and other users of financial information. The City staff, with the assistance of financial advisors and bond counsel, shall prepare the necessary materials for presentation to the rating agencies, and shall aid in the production of Offering Statements.

J. DEBT STRUCTURING. The City will generally issue debt for a term not to exceed 20 years. The City will exceed a 20-year term only upon recommendation of the City's Financial Advisor and in no case shall the term of the debt issue exceed the life of the asset acquired. The repayment schedule shall approximate level debt service unless operational matters dictate otherwise or if market conditions indicate a potential savings could result from modifying the level payment stream. Consideration of market factors, including tax-exempt qualification, and minimum tax alternatives will be given during the structuring of long-term debt instruments.

K. FEDERAL REQUIREMENTS. The City will maintain procedures to comply with arbitrage rebate and other Federal requirements.

L. BIDDING PARAMETERS. The notice of the sale of bonds will be carefully constructed so as to ensure the best possible bid for the City, in light of the existing market conditions and other prevailing factors. Parameters to be examined include:

- Limits between lowest and highest coupons
- Coupon requirements relative to the yield curve
- Method of underwriter compensation, discount or premium coupons
- Use of bond insurance
- Call provisions

XII. INTERNAL CONTROLS

A. WRITTEN PROCEDURES. Wherever possible, written procedures shall be established and maintained by the Finance Department for all functions involving cash handling and/or accounting throughout the City. These procedures shall embrace the general concepts of fiscal responsibility set forth in this policy statement.

B. DEPARTMENT HEAD RESPONSIBILITIES. Each Department Head is responsible to ensure that good internal controls are followed throughout the Department, that all Finance Department directives or internal controls are implemented, and that all independent auditor internal control recommendations are addressed.

C. COMPUTER SYSTEM/DATA SECURITY. The City shall provide security of its computer system and data files through physical security and appropriate backup procedures. A disaster recovery plan shall be developed by the Information Services Department. Computer systems shall be accessible only to authorized personnel.

XIII. RISK MANAGEMENT

A. RESPONSIBILITY. A risk manager is responsible for the general risk liability insurance risk management function of the City. Recommendations for deductibles, limits of coverage, etc. shall be presented to the Finance Committee for review.

B. EMPLOYEE SAFETY. The City will aggressively pursue opportunities to provide for employee safety. The goal will be to minimize the risk of loss, with an emphasis on regularly scheduled safety programs.

C. SELF INSURED HEALTH INSURANCE. A detailed annual report shall be given to the Finance Committee that includes available funds, expected payouts in the plan, reinsurance costs and a rate recommendation. The presentation shall include a proposed budget for a period coinciding with the City's fiscal year.

XIV. ROLE OF THE FINANCE COMMITTEE OF CITY COUNCIL

The finance committee appointed by City Council upon recommendation of the Mayor shall have responsibilities including:

A. Monitoring and recommending changes to the Investment Policy;
B. Managing the audit;
C. Review of liability insurance coverage’s.
D. Oversight of budget and finances