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, AUGUST 18, 2026, 9:00 AM

Huntsville City Hall, 1212 Avenue M., 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 TAXPAYER IMPACT STATEMENT

a Taxpayer Impact Statement

Pursuant to Texas Government Code 551.043(c)(2), the City of Huntsville provides the following comparison for the median-valued homestead property. This statement shows the estimated annual property tax bill for a median-valued homestead in Huntsville, comparing the current tax rate, the no-new-revenue rate, the proposed tax rate and the maximum tax rate options.

	Fiscal Year 2026 Adopted Budget	Fiscal Year 2027 Budget Voter Approved Tax Rate	Fiscal Year 2027 Budget No-New Revenue Rate	Fiscal Year 2027 Budget at Proposed Tax Rate
Total Tax rate (per $100 of value)	$0.3475	$0.3790	$0.3506	$0.3775
Median homestead taxable value	$253,909	$249,790	$249,790	$249,790
Tax on Median homestead	$882.33	$946.70	$875.76	$942.96
Change From Prior Year		$64.37 or 7.3%	($6.57) or (1.0%)	$60.62 or 6.9%

Proposed Budget

A copy of the Proposed Budget is available in the City Secretary's Office at City Hall and online at https://www.huntsvilletx.gov/193/Budget

Lance Hall, Finance Director

2 CALL TO ORDER

3 DISCUSSION/CONSIDERATION

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

a Approve minutes of the August 4, 2026, Finance Committee meeting
Lance Hall, Finance Director

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

c Discussion of Investment Policies
Lance Hall, Finance Director

d Discussion of Procurement Policy with proposed changes
Lance Hall, Finance Director

e Discussion of Proposed City Manager's Budget and possible property tax rate for FY 26-27
Lance Hall, Finance Director

f Presentation of the City of Huntsville Debt Summary
Lance Hall, Finance Director

g Budget Amendment
Lance Hall, Finance Director

h Discussion of proposed Travel Policy.
Lance Hall, Finance Director

i Consider a recommendation to the full City Council for approval of a $48,000 change order to Purchase Order# 2026-00000186 to Delta Fire & Safety, HGAC BUY Contract# EE11-24 for the total of $125,000.
Greg Mathis, Fire Chief

4 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: August 12, 2026

TIME OF POSTING: 5:20 p.m.
TAKEN DOWN:

Sharon Schultz
Sharon Schultz, Deputy City Secretary

CITY COUNCIL FINANCE COMMITTEE AGENDA
8/18/2026
Agenda Item Number: 3.a.
Agenda Item: Approve minutes of the August 4, 2026, Finance Committee meeting
Initiating Department/Presenter: Finance
Presenter: Lance Hall, Finance Director
Discussion: Approve minutes of the August 4, 2026 Finance Committee meeting
Financial Implications:
Associated Information: 1. Fin Comm Minutes 08.04.2026

Finance Committee Minutes

August 4, 2026

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

Staff Present: Scott Swigert, Robby Chapman, Ricardo Villagrand, Brian Beasley, Lance Hall, Marcy Metz, Laurie O'Brien, Kimberly Kembro, Christina Bodin-Turner, Layne Yeager, Olivia Discon, Kathlie Jeng-Bulloch, Jim Barnes, Jacob Zuniga and Savanah Gonzalez-Caballero

The agenda items discussed were:

- Approve minutes of the July 21, 2026 Finance Committee meeting
    - Motion -Karen Denman
    - 2nd Vicki McKenzie
    - All Approved
- Consider a recommendation to the City Council for the expenditure of funds to replace police vehicle 551-2303 using insurance money received from the Texas Municipal League (TML), the City of Huntsville vehicle replacement fund, and the Huntsville Police Department seizure fund.
    - Motion -Vicki McKenzie
    - 2nd -Pat Graham
    - All approved
- Consider a recommendation to City Council to approve Budget Amendment
    - Motion -Vicki McKenzie
    - 2nd -Karen Denman
    - All Approved
- Consider a recommendation to City Council to issue $37 Million in revenue bonds for Wastewater projects
    - Motion -Vicki McKenzie
    - 2nd -Pat Graham
    - All Approved
- Lance Hall presented a financial update on the City Service Center and City Hall

CITY COUNCIL FINANCE COMMITTEE AGENDA

8/18/2026

Agenda Item Number: 3.b.

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

Financial Implications:

Associated Information:

1. Exhibit B FY 26-27 Fiscal Policies EDITS CD
2. Exhibit B FY 25-26 Fiscal Policies

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

Proprietary Funds:

Enterprise Funds:

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

Internal Service Funds:

Medical Insurance
Equipment Replacement
Computer Replacement

Permanent Funds:

Library Endowment
Oakwood Cemetery Endowment

Trust Funds:

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 $50,000:

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 $50,000 or less from the budgeted Reserve for Future Allocation. For authorizations of $25,000 or less, the City Manager will report the use of Reserve for Future Allocation as an informational item. For authorizations between $25,001 and $50,000, 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 $25,000 (but not more than $50,000), 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 $50,000, 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~~ Policy~~ies~~. ~~approved by the Finance Committee.~~ The Purchasing department will process~~review~~ all solicitations~~bids~~ before posting. ~~The~~ ~~S~~sealed solicitations must be solicited for purchases that meet, exceed or are ~~bid requirement is $100,000 if the~~ anticipated to exceed~~bid is~~ $100,000. ~~or greater.~~ All ~~P~~purchases exceeding~~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 $50,000 from a single vendor added to purchases of less than $50,000 from another vendor creating an asset of $50,000 or more do not require Council approval.~~ The following shows a summary of approved~~al~~ ~~requirements for~~ purchasing threshold requirements~~es~~.

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 $25,000~~$20,000~~ pursuant to the approval requirement for purchases as outlines after review by the City Attorney and Finance Director.

F. DISPOSITION OF SURPLUS PROPERTY. The City shall dispose of surplus, obsolete, damaged, or unusable property in accordance with applicable provisions of the applicable state and federal laws, the City Charter, and City policies. All property disposals shall be authorized, documented, and conducted in a manner that ensures transparency, accountability, fair market value when required, and responsible stewardship of public assets. Disposal methods, including transfer, trade-in, public sale, auction, recycling, donation when authorized, or destruction, shall comply with applicable provisions of the Texas Local Government Code and established City financial and asset management procedures.

G. LOCAL VENDORS. To support the local economy while maintaining fair and competitive procurement practices, in accordance with the Texas Local Government Code. A responsible local vendor may be awarded a contract when its solicitation submission is within the maximum percentage of up to 10 percent above the lowest responsive solicitation submitted by a non-local vendor, provided doing so is determined to be in the City's best interest and all statutory requirements are satisfied.

H. TRAVEL. The City employee travel related reimbursements shall comply with the City's Travel Policy, applicable current U.S. General Services Administration (GSA) rates, and approved budgetary requirements. Reimbursement is limited to authorized, necessary, and reasonable business expenses, supported by required documentation and submitted within established deadlines. Employees are expected to utilize the most economical mode of travel available, and all travel expenditures, including transportation, lodging, meals, and mileage, shall be reimbursed in accordance with the provisions and limitations established in the City's Travel Policy.

I. CHANGE ORDERS. Change orders may be used to increase or decrease the quantity of work, materials, or supplies under an awarded competitive bid solicitation, subject to applicable provisions of Texas Local Government Code 252.048. Changes generally may not increase or decrease the original contract price by more than 25%; decreases exceeding 25% require contractor approval, while increases beyond 25% require separate procurement for the additional work or materials. Change orders must be approved by the City Council or properly delegated authority in accordance with applicable statutory and City requirements, and all change orders shall be documented and executed in writing.

J. 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.

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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.

F. 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.

G. 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

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:

Governmental Funds:
General Fund
General Obligation Debt Service Fund
Capital Projects Funds

Special Revenue Funds:
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 $50,000:

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 $50,000 or less from the budgeted Reserve for Future Allocation. For authorizations of $25,000 or less, the City Manager will report the use of Reserve for Future Allocation as an informational item. For authorizations between $25,001 and $50,000, 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 $25,000 (but not more than $50,000), 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 $50,000, 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 $50,000 from a single vendor added to purchases of less than $50,000 from another vendor creating an asset of $50,000 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.

F. 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.

G. 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

CITY COUNCIL FINANCE COMMITTEE AGENDA

8/18/2026

Agenda Item Number: 3.c.

Agenda Item: Discussion of Investment Policies

Initiating Department/Presenter: Finance

Presenter:
Lance Hall, Finance Director

Discussion: Discussion of Investment Policy no proposed changes

Financial Implications:

Associated Information:
1. Exhibit C FY 26-27 Investment Banking Policy with OPEB.PEB Trust

INVESTMENT & BANKING POLICIES

10/1/2026

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CITY OF HUNTSVILLE
INVESTMENT AND BANKING POLICIES

PART I - INVESTMENT POLICY

I. PURPOSE OF POLICY

The Public Funds Investment Act (PFIA), Chapter 2256, Texas Government Code prescribes that each city is to adopt rules governing its investment practices and to define the authority of the Investment Officer. This policy is adopted by the City Council to direct and limit the financial affairs of the City of Huntsville. It is the policy of the City of Huntsville to invest public funds in a manner which will provide the maximum security of principal invested at a reasonable market rate of return, with consideration of the City's risk constraints and cash flow needs. Receipt of a market rate of return will be secondary to the requirements for safety and liquidity. The City will comply with all state and local statutes, including the Texas Public Funds Investment Act.

II. SCOPE OF POLICY

This policy applies to all funds or financial resources available for investment by the City accounted for in the *City of Huntsville, Texas Annual Comprehensive Financial Report* and include the General Fund, General Obligation Debt Service Fund, Special Revenue Funds, Enterprise Funds, Permanent Funds, Internal Service Funds, the City's self-funded Health Insurance Fund, and will include any new fund created by the City Council unless specifically exempted by City Council. All monies may be pooled into one investment account, except for those monies accounted for in accounts as deemed necessary, or as stipulated by applicable laws, bond covenants or contracts. These policies do not, however, govern funds that are managed under separate investment programs such as retirement funds, pension funds, deferred compensation funds and certain private donations, that are maintained as required by federal and state law, other local policies, or donor stipulations.

III. DESIGNATION OF INVESTMENT OFFICERS

The authority to manage the City of Huntsville investment program is derived from State Statute, the City Charter, and these investment policies. Management responsibility for the investment program is hereby delegated to the Finance Director, designated as Investment Officer for the City of Huntsville, who shall establish written procedures for the operation of the investment program consistent with this investment policy and shall be responsible for the operation of the investment program consistent with this investment policy. The Director of Finance, under general supervision of the City Manager, shall direct the cash management program of the City. (See City Charter Art. XI). The City Manager and/or Director of Finance may deposit, withdraw, invest, transfer, and manage City funds. The Investment Officer shall report to the Finance Committee of City Council. The Finance Committee, appointed by the Mayor, shall be responsible for monitoring, reviewing and making recommendations regarding the City's investment program to the City Council.

The Director of Finance may authorize persons to engage in investment transactions and approve wire transfers used in the process of investing.

IV. INVESTMENT TRAINING

Not less than once in a two-year period that begins on the City's first day of the fiscal year the Finance Director shall receive not less than 10 hours of instruction relating to investment responsibilities. The Finance Director shall attend investment training that includes education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and general compliance with state law. Training must be received from an independent source, approved by the entity's governing body or investment committee, and taken within twelve months after taking office or assuming duties.

V. ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment function shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Finance Committee of the City Council any material financial interest in financial institutions that conduct business with the City, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Huntsville, particularly with regard to the time of purchases and sales. Investment officers shall comply with Texas Government Code section 2256.005(I) relating to personal business relationships with a business organization offering to engage in an investment transaction with the City of Huntsville.

VI. OBJECTIVES

The objectives of the City's investment policies are, in order of priority: preservation and safety of principal, liquidity and yield/return on investments. The policy must be written, address investment diversification and the quality and capability of investment management. The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

A. *Preservation and safety of principal* shall be the foremost objective of the City's investment program. Preservation and safety of principal shall be obtained through protection of principal and safekeeping.

   1. The City shall control risk of loss due to the failure of a security issuer or guarantor. Such risk shall be controlled by investing in the safest types of securities, by qualifying the financial institution with whom the City will transact, and by portfolio diversification.

   2. The City shall also control risks of loss by requiring collateral for depository bank funds to be held by a financial institution separate from the depository bank.

B. *Liquidity* shall be achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets. A security may be liquidated to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or to otherwise adjust the City's portfolio.

C. *Yield/Return on Investments*. The City of Huntsville investment portfolio is designed with the objective of attaining a rate of return throughout budgetary and economic cycles commensurate with the City of Huntsville investment risk constraints and the cash flow characteristics of the portfolio. Investments, other than the overnight cash concentration account, shall be made in permitted obligations at yields equal to or greater than the bond equivalent yield on United States Treasury obligations of comparable maturity.

VII. MARKET YIELD (BENCHMARK)

The market yield benchmark shall be a yield equal to the bond equivalent yield on United States Treasury obligations of comparable maturity.

If selling a security prior to a fixed date maturity at a gain or loss, the investment officers shall notify the Finance Committee of City Council at its next meeting. The City shall monitor the market price of investments as of the end of each month through reports provided by brokers and/or the use of a purchased service or available software.

VIII. INVESTMENT STRATEGIES

The City of Huntsville shall generally invest funds with the intent to hold to maturity. Investment selection shall be based on legality, appropriateness, liquidity, and risk/return considerations. Monies designed for immediate expenditure should be passively invested to allow for liquidity to pay upcoming disbursements, (payroll, debt service payments, payables, etc.), and allow for structuring the investment portfolio on a "laddered" basis. The City of Huntsville maintains portfolios that utilize four specific investment strategies designed to address the unique characteristics of the fund groups represented in the portfolios:

A. *Operating Funds* have as their primary objective the assurance that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure that will experience minimal volatility during economic cycles. The weighted average days to maturity of these funds shall be less than 365 days and shall be calculated using the stated final maturity date for each security.

B. *Debt Service Funds* shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligations on the required payment date. Securities purchased shall not have a stated final maturity date that exceeds the debt service payment date.

C. *Debt Service Reserve Funds* shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. In addition to the bond ordinance specific to an individual bond issue, which sets out investment parameters, securities shall have a maturity of less than five years. Investments shall be limited to obligations of the United States or its agencies and instrumentalities or in approved investment pools.

D. *Special Projects* or *Special Purpose Fund* portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity.

These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request. This investment structure is commonly referred to as a flexible repurchase agreement.

IX. PRUDENCE/STANDARD OF CARE

Investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. In determining whether the City's investment officers have exercised prudence with respect to an investment decision, the determination shall be made taking into consideration, the investment of all funds, or funds under the City's control, over which they have responsibility rather than a consideration as to the prudence of a single investment, and whether the investment decision is consistent with this investment policy.

X. DIVERSIFICATION

The City of Huntsville will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution. Diversification will also include terms of maturity as well as instrument type and issue. Investments shall not exceed more than 20% of the capitalization of the financial institution other than the main depository. Bond proceeds may be invested in a single security or investment which exceeds the City's diversification limits if the Investment Officer, with concurrence of the Finance Committee, determine that such an investment is necessary to comply with Federal arbitrage restriction or to facilitate arbitrage record keeping and calculation.

XI. MAXIMUM MATURITIES

In order to stabilize yield for budgeting purposes, the City shall maintain a portion of its investments in obligations with maturities greater than one year. No investment shall be made with a maturity greater than five years without express authority of the Finance Committee of the City Council. In determining the amount of investment longer than one year, cash flow and unallocated reserve funds will be evaluated. The maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio shall not exceed 2 years.

XII. PURCHASE PROCEDURES

The City may, without further bidding, utilize any program established through the Texas Inter-local Cooperation Act that invests in funds authorized by the Public Funds Investment Act; or purchase certificates of deposit or other approved securities through its primary depository bank.

When possible, other investments should be made after 3 competitive bids are solicited (excluding transactions with money market mutual funds, local government investment pools and when issued securities, which are deemed to be made at prevailing market rates.) Competitive bids may be solicited orally, in writing, electronically, or in any combination of these methods. An offer worksheet shall be kept for each bid transaction showing the name of dealer/bank contacted, amount of principal to be invested, yield quoted, type of investment, fund designation, maturity date, issue date, length of time invested, and cusip number. Purchase of a security shall not be made at a price that exceeds the existing market value of the security.

The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank. The deposit shall be held in the name of the City of Huntsville and shall be evidenced by a trust receipt of the bank with which the securities are deposited.

XIII. COLLATERALIZATION

The Public Funds Collateral Act requires the City to have complete collateralization of all investments and deposits at the depository banking institution. It will be required for all uninsured collected balances, plus accrued interest, if any, in excess of FDIC coverage. To anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% of the market value of principal and accrued interest. The City chooses to limit collateral to obligations of the United States or its agencies and instrumentalities, and direct obligations of the State of Texas or its agencies and instrumentalities. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement.

XIV. SAFEKEEPING AND CUSTODY

All security transactions entered into by the City of Huntsville shall be conducted on a delivery vs. payment (DVP) basis, with the exception of investment pool funds and mutual funds, and delivered by either book entry or physical delivery. A Federal Reserve Member financial institution designated as the City's safekeeping and custodian bank shall hold these securities in a third-party safekeeping account. The City may designate more than one custodian bank. The City's custodial or safekeeping institution cannot be a counterpart (broker or dealer) to the purchase or sale of these securities.

The City shall execute a written Safekeeping Agreement with each bank prior to utilizing the custodian's safekeeping services. The Safekeeping Agreement must provide that the safekeeping bank will immediately record the receipt of purchased or pledged securities on its books and promptly issue and deliver a signed safekeeping receipt showing the receipt and the identification of the security as well as the City's interest.

A) The Investment Officer or his designee shall maintain a list of designated custodian banks and a copy of the Safekeeping Agreement executed with each custodian bank.

B) The Investment Officer must approve release of securities, in writing, prior to their removal from the custodian account. An electronic copy shall be sufficient if the custodian orally confirms receipt of the transmission and an exact copy of the document is retained at the City.

C) All securities shall be confirmed in the name of the City of Huntsville and delivered to an approved custodial bank or carried at a Federal Reserve Bank in the name of the City of Huntsville. The custodian shall not otherwise deposit purchased or pledged securities. In addition, the custodian bank will furnish to the City a copy of the delivery advice received by the custodian bank from the Federal Reserve Bank.

D) The correspondent or safekeeping bank shall issue a safekeeping receipt to the City evidencing securities are held in the City's name.

E) The original safekeeping receipt for each transaction shall be forwarded to the Investment Officer or his designee.

F) At least quarterly, the Investment Officer or their designee, shall verify that all securities owned by the City or pledged to the City are held in safekeeping in the City's custodial bank with proper documentation. At least annually, the City's Investment Program, including the records of custodians and depositories, shall be subject to a compliance audit of management controls on investments and adherence to these investment policies reviewed by an independent Certified Public Accountant selected by the City Council.

XV. INTERNAL CONTROL/COMPLIANCE AUDIT

A system of internal controls shall be established. As part of the City's annual audit, an independent auditor shall review internal controls, investment practices, investment performance, quarterly reports prepared by the investment officers and the result of the review shall be reported to the Finance Committee of the City Council. A compliance audit of management control on investments and adherence to investment policies is to be included.

XVI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City Council shall approve at least three broker/dealers upon recommendation of the Finance Committee for use by the designated investment officers. The broker/dealers may include primary dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The selection process shall include a proposal process with potential broker/dealers providing a completed broker/dealer questionnaire, certification of having read the City of Huntsville investment policy, proof of National Association of Security Dealers certification and proof of state registration. The selected broker/dealers must acknowledge in writing that the business organization has implemented reasonable procedures and control in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the City's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio or requires an interpretation of subjective investment standards. An investment officer may not buy any securities from a firm that has not filed this instrument.

An annual review of the financial condition and registrations of qualified bidders is to be conducted by the City Manager or Finance Director and a current audited financial statement is required to be on file for each broker/dealer that conducts transactions with the City. The Finance Committee shall review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

XVII. AUTHORIZED INVESTMENTS

The City of Huntsville may invest only in the safest type of securities and in accordance with Texas state law (Appendix I). There are two general categories of authorized investments for the City of Huntsville: (1) investments which the designated investment officers may invest without prior approval from the Finance Committee; and, (2) investments that require prior Finance Committee approval.

A. Authorized investments that do **not** require prior approval of Finance Committee:

1. Obligations of, or Guaranteed by, Governmental Entities:

a. obligations of the United States or its agencies and instrumentalities;
b. direct obligations of the State of Texas or its agencies and instrumentalities;
c. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and [its] instrumentalities;
d. obligations of states, agencies, counties, cities, and other political

subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

e. bonds issued, assumed, or guaranteed by the State of Israel; and

f. interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor.

The following are **not** authorized investments under this section:

a. obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

b. obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

c. *collateralized mortgage obligations* that have a stated final maturity date greater than 10 years; and

d. *collateralized mortgage obligations* the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

2. Certificates of Deposit:

Certificates of deposit issued by state and national banks, a savings bank or credit union that are:

a. guaranteed or insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, comparable insurance entities or their successors; or

b. secured in any other manner and amount provided by law for deposits of the City.

c. secured through an authorized broker in accordance with the Public Funds Investment Act (PFIA).

B. Authorized investments requiring prior approval of the Finance Committee:

1. Banker's Acceptances

A *bankers acceptance* is an authorized investment if the *banker's acceptance*: (a) has a stated maturity of 270 days or fewer from the date of its issuance; (b) will be, in accordance with its terms, liquidated in full at maturity; (c) is eligible for collateral for borrowing from a Federal Reserve Bank; and (d) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

2. Commercial Paper

Commercial paper is an authorized investment if the *commercial paper* has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

3. Mutual Funds

A. A *no-load money market mutual fund* is an authorized investment if:
1) the *mutual fund* is registered with and regulated by the Securities and Exchange Commission;
2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and
3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.)

B. In addition to a *no-load money market mutual fund* permitted as an authorized investment in Subsection (a), a *no-load mutual fund* is an authorized investment under this subchapter if the *mutual fund*:
1) is registered with the Securities and Exchange Commission;
2) has an average weighted maturity of less than two years; and
3) either:
(a) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or
(b) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

C. The City is **not** authorized by this section to:
1) invest in the aggregate more than 80 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in *money market mutual funds* described in Subsection (a) or *mutual funds* described in Subsection (b), either separately or collectively;
2) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in *mutual funds* described in Subsection (b);
3) invest any portion of bond proceeds, reserves and funds held for debt service, in *mutual funds* described in Subsection (b); or
4) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one *mutual fund* described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

C. Effect of Loss of Required Rating

An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. The City shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

XVIII. INVESTMENT POOLS

A. The City may invest in eligible *investment pools* as defined by the Public Funds Investment Act, which meet criteria outlined in chapter Texas Government Code section 2256.016 and section 2256.019. The Council shall authorize participation in the pool by resolution or ordinance.

B. The City must receive from the pool an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

1. a description of eligible investment securities;
2. the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
3. the maximum stated maturity date any investment security within the portfolio has;
4. a written statement of investment policy and objectives;
5. the size of the pool;
6. the names of the members of the advisory board of the pool and the dates their terms expire;
7. the custodian bank that will safe keep the pool's assets; a description of how the securities are safeguarded (including the settlement process) and how often the securities are priced;
8. whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
9. whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
10. the name and address of the independent auditor of the pool and how often the program is audited;
11. the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool including how often and what size deposits and withdrawals are allowed, and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool~~; and;~~
12. the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios;
13. a description of interest calculations and how it is distributed and how gains and losses are treated;
14. a schedule for receiving statements and portfolio listings;
15. an explanation of whether reserves, retained earnings, etc. are utilized by the pool;
16. a fee schedule, including when and how it is assessed;

17. an explanation of whether the pool is eligible and/or will it accept bond proceeds.

C. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an *investment pool* must furnish to the investment officer or other authorized representatives of the entity:

1. investment transaction confirmations; and

2. a monthly report that contains, at a minimum, the following information:
   a. the types and percentage breakdown of securities in which the pool is invested;
   b. the current dollar-weighted average maturity, based on the stated maturity date, of the pool;
   c. the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
   d. the book value versus the market value of the pool's portfolio, using amortized cost valuation;
   e. the size of the pool;
   f. the number of participants in the pool;
   g. the custodian bank that is safekeeping the assets of the pool;
   h. a listing of daily transaction activity of the entity participating in the pool;
   i. the yield and expense ratio of the pool;
   j. the portfolio managers of the pool; and
   k. any changes or addenda to the offering circular.

D. The City by contract may delegate to an *investment pool* the authority to hold legal title as custodian of investments purchased with its local funds.

E. "Yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the Federal Securities and Exchange Commission.

XIX. REPORTING

Within 30 days of the end of each quarter the Finance Director shall prepare and submit to the City Council a written report of investment transactions for the preceding reporting period. The report must:

1) Describe in detail the investment position of the entity on the date of the report;

2) Be prepared and signed jointly by all investments officers of the entity;

3) Contain a summary statement of each pooled fund group that states the beginning and ending market values and fully accrued interest for the reporting period;

4) State the book and market values of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

5) State the maturity date of each separately invested asset that has a maturity date;

6) State the account or fund or pooled group fund in the local government for which each individual investment was acquired; and

7) State the compliance of the investment portfolio of the local government as is relates to:

   a. The investment strategy expressed in the agency's or local government's investment policy; and
   b. Relevant provisions of PFIA Sec. 2256.023

8) If the City invests in investments other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, the reports prepared by the Investment Officer shall be reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor; and;

9) Compare to the benchmark bond equivalent yield or United States Treasury obligation of comparable maturity.

XX. POLICY ADOPTION

The City of Huntsville investment policy shall be adopted by ordinance of the City Council. The policy shall be reviewed annually by the Finance Committee, and any modifications made thereto must be approved by the City Council. Annually, City Council shall adopt a resolution or include in the budget ordinance information stating that it has reviewed the investment policy and investment strategies. The resolution/ordinance shall record any changes made to the investment policy or investment strategies.

PART II - BANKING SERVICES POLICY

I. ESTABLISHMENT OF BANKING DEPOSITORY

A. The City Council shall select a bank, credit union or savings association as its primary depository for normal banking transactions. In addition, the City may designate one or more other depositories for investment transactions.

B. The City's primary banking depository shall have a branch located in the City.

C. Not more than four weeks and not less than one week before the City Council considers applications for its depository, the City shall publish at least once in the City's official newspaper a notice of the meeting at which applications are to be received.

D. A bank, credit union or savings association desiring to be selected as the city depository must deliver its application to the City Secretary on or before the time stated in the notice. The application shall be accompanied by an affidavit disclosing conflicts of interest, if any, that apply to the selection of the depository. The City's Finance Committee may, as directed by City Council, review the applications and prepare a recommendation regarding the selection of depositories for Council.

E. The City Council may, after considering the application and the recommendation, if any, of its staff and/or Finance Committee:

   1. select as city depositories one or more banks, credit unions or savings associations that offer the most favorable terms and conditions for the handling of the municipal funds; or

   2. reject any or all of the applications.

F. The City shall retain the right to withdraw any municipal funds deposited in a depository that are not immediately required to pay obligations of the City and invest those funds as outlined in these **Investment and Banking Policies**.

G. The Director of Finance shall immediately deposit in the depository to the credit of the City any money received.

H. Except as provided for wire transfers to other depositories or ACH transfers, the funds of the City may be paid out of a depository only on the checks of the City.

I. Checks must be signed by the Mayor and either the City Manager or Finance Director. A facsimile signature may be used by the Mayor and/or City Manager.

J. Checks must be authorized by the Mayor, City Manager, or Finance Director.

K. No check shall be drawn on a *special fund* created to pay bonded indebtedness other than to pay principal or interest on the indebtedness, or to invest the fund as provided by these polices or law.

L. All checks shall be payable by the depository at its place of business.

M. The Director of Finance may, with approval of Council, pay a bond, coupon, or other indebtedness of the City at a place other than the depository if by its terms the indebtedness is payable on maturity at the other location.

II. COLLATERALIZATION REQUIREMENTS/SAFEKEEPING AND CUSTODY

A. All public funds held in a *checking* account or *time deposit* at a bank or other depository shall be secured by eligible security. An eligible security means:

1. a surety bond;

2. investment securities (obligations of the United States or its agencies and instrumentalities); or

3. ownership or beneficial interest (but not merely an option contract to purchase or sell) any authorized investment.

B. The market value of the *investment securities* used as collateral shall be at least 102% of the value equal to the deposits of public funds increased by the amount of any accrued interest and reduced by the extent of insurance through an agency of the United States.

C. Safekeeping

1. A depository for the City may deposit investment securities pledged to secure deposits of public funds with a custodian that the City has approved as a custodian and that is either:
a. A state or national bank domiciled in the State of Texas and which has a capital stock and permanent surplus of not less than $5 million.
b. The Texas Treasury Safekeeping Trust Company; or
c. A Federal Reserve Bank or its branches.

2. The securities shall be held in trust by the custodian to secure the deposit of

public funds of the City in the depository pledging the securities.

3. On receipt of the *investment securities*, the custodian shall immediately, by book entry or otherwise, identify on its books and records the pledge of the securities to the City and shall promptly issue and deliver to the Director of Finance of the City trust receipts for the securities pledged. The security evidenced by the trust receipts is subject to inspection by the City or its agents at any time.

4. A custodian holding in trust *investment securities* of a depository may deposit the pledged securities with a permitted institution. These securities shall be held by the permitted institution to secure funds deposited by the City in the depository pledging the securities. On receipt of the securities, the permitted institution shall immediately issue to the custodian an advice of transaction or other document evidencing the deposit of the securities. When the pledged securities held by a custodian are deposited, the permitted institution may apply book entry procedures to the securities. The records of the permitted institution shall at all times reflect the name of the custodian depositing the pledged securities. The trust receipts the custodian issues to the City shall indicate that the custodian has deposited with the permitted institution the pledged securities held in trust for the depository pledging the securities.

5. The custodian shall maintain separate, accurate, and complete records relating to the pledged investment securities and all transactions relating to the pledged investment securities.

D. The Director of Finance shall inform its depositories of significant changes in the amount or activity of public funds reasonably in advance of such changes.

Part III —Investment Policy - City of Huntsville Post-Employment Benefit Plan (aka "City of Huntsville PEB Trust")

Section 1 — INTRODUCTION

The City of Huntsville Post Employment Benefit Plan (the "Plan"), a retirement plan qualified under Internal Revenue Code Section 115, provides retirement benefits to eligible employees of City of Huntsville.

The assets of the Plan are held in a tax-exempt trust for the benefit of the Plans' participants and beneficiaries. The objective of the Plan is to provide employees with a source of retirement income from accumulated contributions and investment returns.

The Pension Plan Finance Committee (the "Finance Committee") is responsible for overseeing and monitoring the investment of the Plans' assets. It will generally be responsible for:

A. Promulgating the Plans' Investment Policy Statement.

B. Selecting the investment funds in which the Plans' assets will be invested and/or the investment managers who will be responsible for investing the Plans' assets.

C. Reviewing and making changes in the investment funds and/or investment managers for compliance with the Investment Policy Statement.

D. Making revisions to the Investment Policy Statement to reflect changing conditions within the Plans or the investment environment or to make it more effective.

The Finance Committee is authorized to retain professional investment advisory services to provide advice with respect to the investment and monitoring of the Plans' assets under the guidance of the Finance Committee.

This Investment Policy Statement is intended to set forth the general policies that the Finance Committee will apply in selecting, monitoring and modifying the investments and/or investment managers for the Plans. While the Finance Committee intends for this Investment Policy Statement to assist the Finance Committee in satisfying its fiduciary duties and in making prudent investment decisions, no investment results or performance is, or can be, guaranteed; and no such guarantee is intended.

Section 2 — PURPOSE

This Investment Policy Statement contains guidelines regarding the investment of the assets held in trust for the Plan to assist the members of the Finance Committee in effectively selecting, monitoring and evaluating the investments and/or investment managers for the Plan.

The purposes of this Investment Policy Statement are to:

A. Set forth the investment objectives, policies and guidelines, which the Finance Committee judges to be appropriate and prudent, in consideration of the needs of the Plan.

B. Establish the criteria against which the investments and/or the investment management organizations selected by the Finance Committee are to be measured.

C. Set forth the target asset mix for the investment of the Plans' assets.

D. Serve as a review document to guide the Finance Committee's ongoing oversight of the investment of the Plans' assets.

Section 3 — INVESTMENT OBJECTIVES

It is the intention of the Finance Committee to build and maintain the Plans' trust through employer contributions that satisfy legal requirements and investment returns. The Finance Committee expects that the amount of investment income plus capital appreciation from the Plans' trust combined with contributions to the trust will exceed the amount of pension payments. Over shorter periods, the Finance Committee understands that at times investment income plus capital appreciation plus contributions to the trust may, in total, be less than the amount of pension payments.

Because of the long-term nature of the Plans' obligations, the Finance Committee's intent is to consider the following goals in managing the trust:

A. Long-term (*i.e.*, five years and more) performance objectives;

B. Maintenance of cash reserves sufficient to pay benefits under the Plan; and

C. Achievement of the highest long-term rate of return practicable without taking excessive risk that could jeopardize the Plans' funding policy or subject the Plans' sponsors to undue funding volatility.

The specific investment performance objective is for the trust to achieve a rate of investment return over any five-year period that both:

A. Meets or exceeds the Plans' actuarial interest rate assumption,

B. Exceeds by 2% the rate of inflation (as measured by the Consumer Price Index for all Urban Consumers),

C. Exceeds the return of the following custom market index: 0% cash, 38% S&P 500, 8% Russell 2000 index, 8% Russell Midcap index, 21% EAFE index, and 25% Barclays Capital Aggregate Bond index.

In carrying out the foregoing policy and objectives, the trust will be invested in accordance with the guidelines set forth in Section 4.

Section 4 —INVESTMENT GUIDELINES FOR ASSET MANAGEMENT

The assets of the Plans will be invested in a manner consistent with generally accepted standards of fiduciary responsibility. The Finance Committee will act with the care, skill, prudence and diligence under the prevailing circumstances that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Finance Committee will discharge its duties with respect to the investment of the trust solely in the interest of the participants and beneficiaries of the Plan.

The Finance Committee will select appropriate investment alternatives using the following criteria:

A. The Finance Committee may select investment managers from one or more of the following:

1) Mutual fund management companies;
2) Banks;
3) Registered investment advisory firms; and
4) Insurance companies.

B. Each investment manager must clearly articulate for the Finance Committee the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

C. Each investment manager must be able to provide for the Finance Committee historical quarterly performance numbers calculated on a time-weighted basis and reported net of all fees.

D. Each investment manager must provide for the Finance Committee volatility measurements so that an appropriate risk/return profile can be evaluated.

E. Each investment manager must be able to provide for the Finance Committee information on its history, key personnel, fee schedules and expenses, and current investment exposure.

F. A City of Huntsville designated Investment Officer may change the Target Allocation and ranges and shall report any change to the Finance Committee

The Finance Committee recognizes that the trust's long-term investment performance will be greatly affected by the mix of the asset classes in which it is invested; accordingly, because of the policy and objectives stated in Section 3, the trust's asset allocation will favor equity investments.

Specifically, the Finance Committee has identified the following asset classes to be appropriate for investment by the trust. In addition, the Finance Committee has defined the following ranges to be used as parameters of investment percentages the Plans' assets:

	Range		
	Minimum	***Maximum***	***Target***
Fixed Income Assets:	**20%**	**30%**	**25%**
Large cap	**33%**	**43%**	**38%**
Mid cap	**3%**	**13%**	**8%**
Small cap	**3%**	**13%**	**8%**
International	**16%**	**26%**	**21%**
Cash/Money Market Assets	**0%**	**5%**	**0%**
Total			**100%**

Managers that manage a separate account for the trust shall have full discretion over portfolio investment decisions, subject to the following guidelines and restrictions. To the extent that commingled or mutual fund vehicles are utilized, the investment policies of those vehicles are the operative documents established herein:

A. Investment managers will be delegated full discretion to exercise all voting rights including, but not limited to, voting proxies.

B. For purposes of the foregoing, real estate, and securities convertible to common stock shall be classified as equity assets; money held by an insurance company in its general account shall be classified as fixed income assets

C. Each investment manager will diversify each asset class appropriately and will seek to moderate volatility and risk as is appropriate for the asset class. The investment manager will not invest in commodities, private placements, or letter stock. The investment manager will not engage in non-covered short sales or margin trading. Transactions consisting of the purchase or sale of futures or options contracts may be permitted to the extent that they are used to diversify or equitize the portfolio and not used as speculative investments. Speculative investment in these derivatives is not permitted without the previous written approval of the Finance Committee.

D. The investment manager must ensure, to the extent practicable, that all equity transactions (whether agency or principal) are executed at competitive rates and all fixed income transactions are competitively bid and must explain in writing to the Finance Committee the reasons for any unusually high transaction costs.

E. The investment manager, when practicable, will disclose to the Finance Committee any significant change in the investment manager's personnel, organization, ownership, or asset management policy or method.

Section 5 — PERFORMANCE EVALUATION

The investment performance of the individual investments and/or investment managers will be monitored quarterly and reviewed at least annually relative to the objectives and guidelines described herein. The investment performance evaluations may include performance analyses and comparisons with the appropriate indices and investment fund universes.

The Finance Committee does not expect to respond to short-term investment developments, recognizing that the accumulation of value for eventual retirement benefit payout is generally a long-term objective and that investment competence must be measured over a complete market cycle. The Finance Committee, nevertheless, may act on interim qualitative judgments. Qualitative factors which will be reviewed on an ongoing basis include any fundamental changes in a manager's investment philosophy, organizational structure, financial condition (including any significant changes in total assets under management), personnel and fee structure.

The Finance Committee has established as one of its investment fund and/or investment manager selection criteria that, as a general proposition, over a complete market cycle, each of the Plans' investment funds and/or investment managers should typically rank in the upper half of the universe of all active investment funds and/or active managers in the same asset class with similar investment objectives.

Performance Review

The investment options will be reviewed at least annually. Among other things, the performance review of the investment options may include the following:

A. The measurement of investment returns.

B. A comparison of investment returns to their appropriate benchmarks.

C. A ranking of investment returns within their appropriate universes.

D. The measurement of risk.

E. An assessment of each investment's adherence to the stated policies and objectives.

Termination of Investment Options

Reasons for considering replacing an investment and/or investment manager may include, but are not limited to:

A. Significant under-performance relative to the appropriate benchmark.

B. Significant under-performance relative to the appropriate universe average.

C. Significant change in risk (increase or decrease).

D. Change or loss of key personnel, relative to the significance of the particular investment.

E. Significant increase or decrease in assets under management.

F. A change in business practices.

G. A change in investment style or discipline.

H. Failure to alert the Finance Committee to pertinent changes, lawsuits or regulatory violations.

I. Investing in non-approved securities.

J. Identification by the Finance Committee of a more suitable investment option.

Other Review

The Investment Policy Statement will be reviewed at least annually to determine the continued appropriateness of the Investment Policy Statement in achieving the stated purpose. However, it is not expected that the Investment Policy Statement will change frequently. In particular, short-term changes in the financial markets will not require adjustments to the Investment Policy Statement.

A review of the program concerning the diversity of options, the use of options, the growth of the program and any strategic planning concerning demographics will also be conducted periodically. The Finance Committee will receive a report on investment performance quarterly. Investment performance and results will be presented annually to the Council.

Section 6 — INVESTMENT MANAGER SELECTION

The assets of the Plan are invested under the supervision of the Finance Committee. The Finance Committee has chosen to select investment managers from the following asset classes. In addition, the Finance Committee has established an investment objective for each asset class and established appropriate benchmarks and universes to be used to evaluate the investment options.

The Finance Committee understands that the indexes selected have no fees associated with their returns and the universe average is net of the fees of the underlying funds. The investment options are not required to exceed their benchmarks and universes every quarter, but are used as a basis for judging the appropriateness of the investment option selected over a full market cycle.

The asset class, objective, benchmark and comparative universe are outlined in Attachment A.

Section 7 — DEFINITIONS

The following terms will have the following meanings:

Investment Manager
"Investment manager" means the asset manager or managers expressly authorized and empowered to cause its portion of the trust to be invested and reinvested in its sole discretion (but governed by the provisions of this Investment Policy Statement) within the asset class or classes for which it is employed to manage.

Investment Return
"Investment return" means investment income and realized and unrealized gains and losses, all net of investment fees and expenses.

Market Cycle
For purposes of this Investment Policy Statement a "market cycle" will be defined as a market peak-to-trough-to-peak (or a trough-to-peak-to-trough).

Rate of Return
"Rate of return" means the annual rate of investment return.

Investment Officer
"Investment Officer" refers to the council or charter designated officials with the responsibility of investing City funds. Investment officers are required to meet educational requirements under the Public funds Investment Act.

This Statement of Investment Policy approved by the City Council of the City of Huntsville.

Date: ____________________________ Approved by: ____________________________________

Attachment A

A. Fixed Income Options

Asset Class	Objective	Benchmark	Universe
Cash/Cash Equivalents	The investment objective of the Cash Option is to provide capital preservation.	The 3-Month Treasury Bill is the benchmark.	N/A
Intermediate Bond	The investment objective of the Bond Option is to provide income with a minor focus on capital growth.	The Bloomberg Barclays Capital Aggregate Bond Index is the benchmark.	The Bond Option selected will be compared to a universe of Intermediate-Term Bond mutual funds.

B. High Yield Bond Fund

Asset Class	Objective	Benchmark	Universe
High Yield Bond	The investment objective of the High Yield Bond Fund is to seek high current income, assuming greater risks including: Credit Risk, Default Risk, Interest Rate Risk, Liquidity Risk, Economic Risk, and Company Risk.	The Bloomberg Barclays Capital High Yield Bond Index is the benchmark.	The High Yield Bond Option will be compared to a universe of High Yield Bond mutual funds.

C. Equity Options - Domestic

Asset Class	Objective	Benchmark	Universe
Large Capitalization Blend	The investment objective of the Stock Index option is to track the performance and risk of the Standard & Poor's 500 index.	The S&P 500 Index is the benchmark. The investment options will be compared to the return and the risk of the benchmark.	The investment option selected will be compared to a universe of Large Capitalization Blend mutual funds.
Large Capitalization Value Style	The investment objective of the Large Capitalization Value Option is to provide long-term growth of capital primarily using domestic large capitalization securities with a value oriented style of management.	The Russell 1000 Value Index is the benchmark. The investment option selected will be compared to the return and the risk of the benchmark.	The Large Capitalization Value Option will be compared to a universe of Large Capitalization Value mutual funds.
Large Capitalization Growth Style	The investment objective of the Large Capitalization Growth Option is to provide long-term growth of capital primarily using domestic large capitalization securities with a growth oriented style of management.	The Russell 1000 Growth Index is the benchmark. The investment option will be compared to the return and the risk of the benchmark, net of investment management fees.	The investment option selected will be compared to a universe of Large Capitalization Growth mutual funds, net of investment management fees.
Mid Capitalization Value Style	The investment objective of the Mid Capitalization Value Option is to provide long-term growth of capital primarily using domestic mid capitalization securities with a value-oriented style of management.	The Russell Mid-cap Value Index is the benchmark. The investment option will be compared to the return and the risk of the benchmark.	The investment option selected will be compared to a universe of Mid-capitalization Value mutual funds.
Mid Capitalization Blend Style	The investment objective of the Mid Capitalization Blend Option is to provide long-term growth of capital primarily using domestic mid capitalization securities with a blend of value and growth oriented styles of management.	The Russell Mid-cap Index is the benchmark. The investment option will be compared to the return and the risk of the benchmark.	The investment option selected will be compared to a universe of Mid Capitalization Blend mutual funds.
Mid Capitalization Growth Style	The investment objective of the Mid Capitalization Growth Option is to provide long-term growth of capital primarily using domestic mid capitalization securities with a growth-oriented style of management.	The Russell Mid-cap Growth Index is the benchmark. The investment option will be compared to the return and the risk of the benchmark.	The investment option selected will be compared to a universe of Mid Capitalization Growth mutual funds.
Small Capitalization Value Style	The investment objective of the Small Capitalization Value Option is to provide long-term growth of capital primarily using domestic small-cap securities with a value oriented style of management.	The Russell 2000 Value Stock Index is the benchmark. The investment option will be compared to the return and the risk of the benchmark.	The investment option selected will be compared to a universe of Small Capitalization Value mutual funds.
Small Capitalization Blend Style	The investment objective of the Small Capitalization Blend Option is to provide long-term growth of capital primarily using domestic small-cap securities with a blend of value and growth oriented styles of management.	The Russell 2000 Stock Index is the benchmark. The investment option will be compared to the return and the risk of the benchmark.	The investment option selected will be compared to a universe of Small Capitalization Blend mutual funds.
Small Capitalization Growth Style	The investment objective of the Small Capitalization Growth Option is to provide long-term growth of capital primarily using domestic small-cap securities with a growth oriented style of management.	The Russell 2000 Growth Stock Index is the benchmark. The investment option selected will be compared to the return and the risk of the benchmark.	The investment option will be compared to a universe of Small Capitalization Growth mutual funds.

D. Equity Options – Non U.S.

Asset Class	Objective	Benchmark	Universe
International Stock	The investment objective of the International Stock Option is to provide long-term growth of capital primarily using securities of companies located outside of the United States.	The Morgan Stanley/Capital International (MSCI) Europe, Australia and Far East (EAFE) Stock Index or the MSCI All Country World Index ex. US (ACWI ex US) will be the benchmark. The investment option will be compared to the return and the risk of the benchmark.	The investment option selected will be compared to a universe of International Stock mutual funds.
Emerging Markets Stock	The investment objective of the Emerging Markets Stock Option is to provide long-term growth of capital primarily using securities of companies located in emerging countries.	The Morgan Stanley/Capital International (MSCI) Emerging Markets Stock Index is the benchmark. The investment option will be compared to the return and the risk of the benchmark.	The investment option selected will be compared to a universe of Emerging Market Stock mutual funds.

GLOSSARY

ACH: Automated Clearing House.

AGENCIES: Federal agency securities.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BOND PROCEEDS: Proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

BOOK VALUE: The original acquisition cost of an investment plus or minus the accrued amortization or accretion.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMOs): Debt obligations collateralized by pools of mortgages. The collateral can consist of conventional whole loans or agency-backed securities such as GNMAs, FNMAs or FHLMCs. The monthly cash flow generated from the pool is transformed into a series of securities with differing average lives and maturities. CMOs are issued by investment banks, commercial banks, the FNMA and the FHLMC. The issuer takes a higher yielding security and carves it up into different classes with lower interest rates and shorter maturities.

COMMERCIAL PAPER: Commercial Paper consists of short-term note issues by large corporations. Maturity is 270 days or less. There is no explicit coupon rate and interest is figured on a discount basis in the same manner as for Treasury Bills.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the City of Huntsville. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

CUSIP NUMBER: A unique nine-digit identification number permanently assigned by the Committee on Uniform Securities Identification Procedures to each publicly traded security at the time of issuance. If the security is in physical form, the CUSIP number is printed on its face.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g. S & L=s, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANKS (FFCB): The Federal Farm Credit Banks Consolidated Systemwide Bonds are obligations of the 37 Farm Credit Banks. The Farm Credit Administration which is an independent agency of the U.S. Government supervises the Farm Credit System.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Bank vis-a-vis member commercial banks.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): The Federal Home Loan Mortgage Corporation, also known as Freddie Mac, is an agency of the Federal Government. The Participation Certificates (PC) issued by Freddie Mac are full faith and credit obligations of an agency of the U.S. Government. In that all loans purchased by Freddie Mac are either FHA/VA mortgages originated by members of the Federal Home Loan Bank System or other HUD-approved mortgages.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA OR FANNIE MAE): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation=s purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA=s securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

FINANCIAL INSTITUTIONS: As used in these policies also refers to Security Broker/Dealers doing business with the City.

FUNDS: Public funds in the custody of a local government that the investing entity has authority to invest.

GOVERNMENT NATIONAL MORTGAGE

ASSOCIATION (GNMA OR GINNIE MAE): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

INVESTMENT POOL: An entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are (a) preservation and safety of principal; (b) liquidity; and (c) yield.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party=s rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which securities are traded that have one year or less until their maturity.

MONEY MARKET MUTUAL FUNDS: A mutual fund with investments that mature within one year.

MUTUAL FUNDS: A type of investment company that pools investments from participants to purchase a portfolio and give to investors fractional ownership of the created portfolio. A mutual fund redeems investors= shares at the net asset value of the shares.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD): A trade association that helps regulate the performance of the over-the-counter securities market.

NET ASSET VALUE (PER SHARE): The value of the securities underlying one share in the investment company.

NO-LOAD MONEY MARKET MUTUAL FUND: A mutual fund that imposes no initial sales charges or fees.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve=s most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and

Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state--the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

QUALIFIED REPRESENTATIVE: A person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following: (A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers; (B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution; or (C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

RATING AGENCY: A nationally recognized investment rating firm including Moody’s and Standard & Poor’s that assigns a rating to a debt issue.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the "seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves. State Statute defines repurchase agreement as a simultaneous agreement to buy, hold for a specific time, and sell back at a future date obligations described in State Statute Section 2256.009 a (1) (obligations of the United States or its agencies and instrumentalities) at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse repurchase agreement.

REVERSE REPURCHASE AGREEMENT: See Repurchase Agreement.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank=s vaults for protection.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEPARATELY INVESTED ASSET: An account or fund of a state agency or local government that is not invested in a pooled fund group.

STATE AGENCY: An office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD or YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Broker/Dealer List – October 2025

Hilltop Securities
700 Milam St. Suite 1200
Houston TX 77002

FHN
920 Memorial City Way, 11th Floor
Houston, TXX 77024

Wells Fargo Securities, LLC
1445 Ross Ave., Suite 210
Dallas, TX 75202

UBS Financial Services, Inc.
10001 Woodloch Forest Drive, Suite 100
The Woodlands, TX 77380

Stifel
100 Motor Parkway, 2nd Floor
Happauge, NY 11788

Duncan Williams
11458 W. Travelers Way Circle
Houston, TX 77065

Cullen Asher, LLC
325 N St. Paul St., 31st Floor
Dallas, TX 75201

Multi-Bank Securities, Inc.
2400 E. Commercial, Suite 812
Ft. Lauderdale, FL 33308

Vining Sparks, IBG, LP
2107 Elliot Ave, Ste. 208
Seattle, WA 98121

CITY COUNCIL FINANCE COMMITTEE AGENDA

8/18/2026

Agenda Item Number: 3.d.

Agenda Item: Discussion of Procurement Policy with proposed changes

Initiating Department/Presenter: Finance

Presenter:
Lance Hall, Finance Director

Discussion: Discussion of ProcurementPolicy with proposed changes

Financial Implications:

Associated Information:

1. Procurement Manual 12-16-25 APPROVED
2. EDITS 2026 Procurement Policy 8-11-2026
3. Procurement Manual 12-16-25 APPROVED - Update 8-11-26

City Of Huntsville

Purchasing Policy

Revised December 16, 2025
Revised July 3, 2023
Revised July 26, 2016
Revised March 15, 2022
Revised September 1, 2023

Table of Contents

Forward

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 $100,000, 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:

- Don't commit to or acquire goods or services without an authorized purchasing plan or you could be held personally liable for the payment.
- Do 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.
- Do 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.
- Do 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

Purchasing Thresholds

- **Purchasing Guidelines for Purchases 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 Purchases 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 between $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 between $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.

- **Purchasing Guidelines for Purchases $100,000.01 and over**
  A formal sealed competitive solicitation is required, unless the procurement is exempt by law. The solicitation process starts with a planning meeting to decide the appropriate solicitation method (IFB, RFP, RFQ), project timeline, and required documentation. The Department Director must provide an estimated budget to support planning, compliance, and fiscal review. The Purchasing Department will coordinate, develop, and issue the solicitation. The requesting department is the subject-matter expert and is responsible for providing a complete scope of work or specifications for the solicitation. Finally, the Department Director will submit the recommendation of award to the City Council for approval.
- **Purchasing Guidelines 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.

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.

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.

Solicitation Protest

Any actual or prospective vendor or contractor who is aggrieved in connection with the solicitation or award of a contract may file a written protest. Protests must be submitted to the Purchasing Department within 10 days post award and must clearly state the grounds for the protest and the relief requested. The Purchasing Department will review the protest, conduct any necessary investigations, and issue a written decision within a reasonable period. The Purchasing Department shall make every effort to settle protests promptly and fairly and will not proceed with the contested procurement until the protest is resolved, unless failure to do so would pose a significant risk to operations or the public interest.

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

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

Performance Review Requirements

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. 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.

- 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.

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.

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. 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

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

Any violations of this policy will be considered misuse and may result in disciplinary action.

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 and 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

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 or single occurrence issues could result in termination of card privileges, written reprimand, reimbursement, or up to employment termination. Examples include but are not limited to:
    - Repeated loss of receipts,
    - Unauthorized or unapproved business purchases,
    - Personal charges on the card (even if reimbursed),

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.

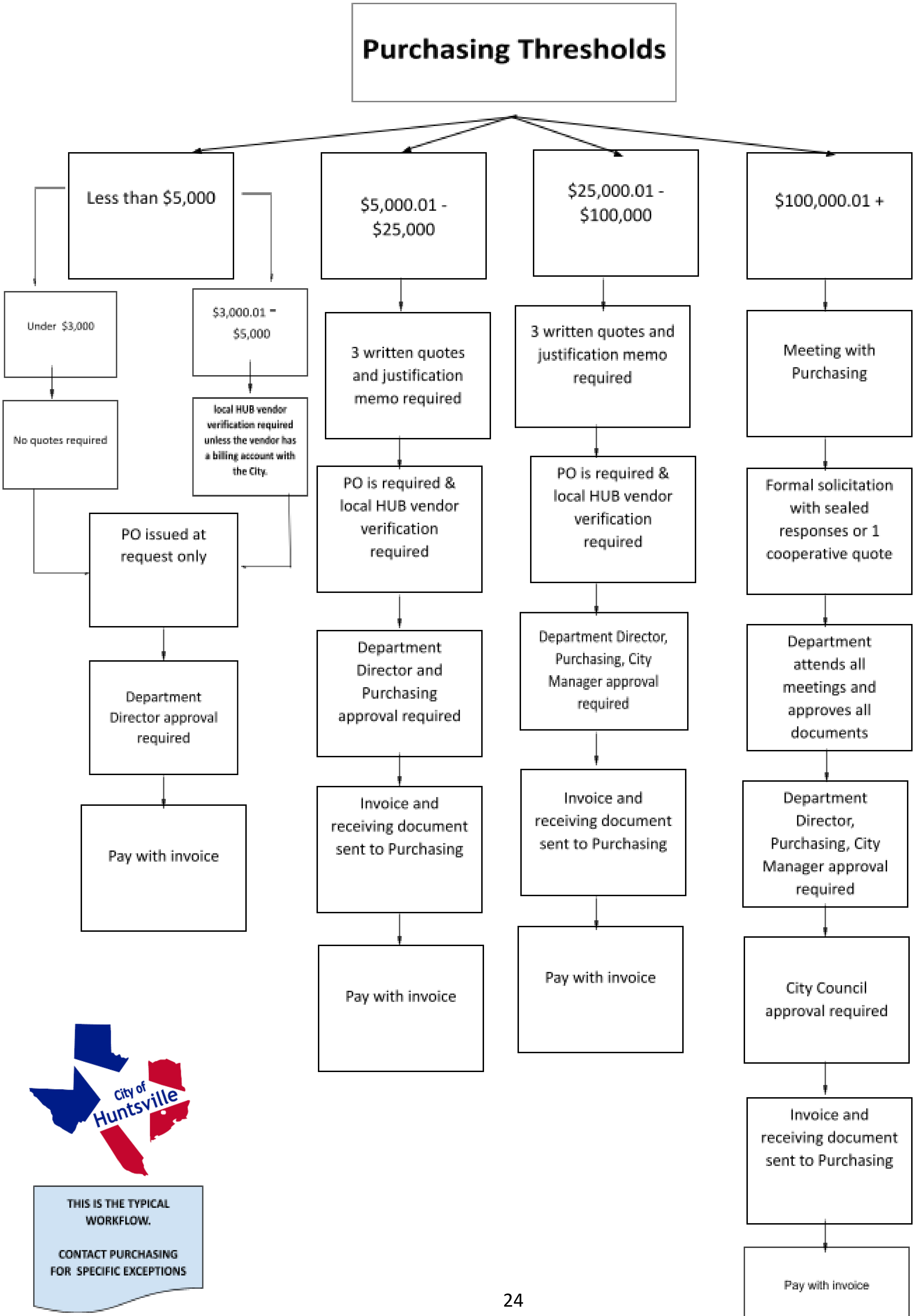
Term Purchase Order: A purchase order established for a defined period of time to allow for the recurring procurement of specified goods or services under agreed-upon terms and pricing. Term purchase orders facilitate efficient ordering and are typically used when needs are anticipated throughout the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



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

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

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

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

THIS IS THE TYPICAL WORKFLOW.

CONTACT PURCHASING FOR SPECIFIC EXCEPTIONS

APPENDIX B – Procurement Policies and Procedures for Federal Grant Funds

Appendix B – Procurement Policies and Procedures for Federal Grant Awards

The City of Huntsville follows the procurement standards outlined in 2 CFR §§200.317 – 200.327 and Appendix II to Part 200 for all procurement actions funded in whole or in part with Federal grant funds. The City makes every effort to adhere to these requirements and updates its internal policies and procedures as Federal regulations change.

Because federal programs vary in scope and applicability, the entirety of 2 CFR §§200.317 – 200.327 may not apply to every procurement situation or funding source. This appendix reflects the current regulatory language and requirements in effect at the time of adoption of these policies and procedures. Where Federal guidance is revised or superseded, the City will follow the most current applicable regulations.

Note on §200.317

Section 200.317 applies specifically to States. As a municipal government, the City of Huntsville is considered a non-federal entity under 2 CFR Part 200 and is therefore required to follow the procurement standards in §§200.318-200.327 for all procurements funded in whole or in part with Federal grant funds. The State-specific provisions in §200.317 do not apply to the City.

2 CFR §200.318 – General Procurement Standards

The City of Huntsville follows the general procurement standards established in 2 CFR §200.318 for all procurements funded as a whole or in part with Federal grant funds. The City maintains documented procurement procedures that are consistent with State and local laws, the City's Purchasing Policy, and the federal requirements found in 2 CFR §200.317 through 200.327. These procedures must be followed by all departments when acquiring goods and services using Federal funds.

Departments are responsible for providing adequate oversight of contractors to ensure performance in accordance with terms, conditions, and specifications of their contracts or purchase orders. This oversight requirement applies through the life of the contract and is a core component of federal grant compliance.[2 CFR §200.318(b)] To support this responsibility, the Purchasing Department and the Grant Management Office are available to provide guidance and assistance to departments on contract monitoring, documentation, and compliance requirements whenever needed.

This policy establishes the City's standards of conduct for individuals involved in federally funded procurement activities. These standards apply to City Council Members, the City Manager, Assistant City Managers, Department Directors, managers, supervisors, employees, and any agents or representatives acting on behalf of the City in the selection, award, or administration of federally funded contracts. Individuals subject to these standards may not participate in a procurement if they have a real or apparent conflict of interest. A conflict exists when an individual, a member of their immediate family, their partner, or an organization employing or seeking to employ any of these parties has a financial or personal interest in a firm competing for a contract.[2 CFR §200.318(c) (1) & (c) (2)]

These individuals may not solicit or accept gifts, gratuities, or favors from contractors or subcontractors, except for unsolicited items of nominal value, defined for these purposes as $25 or less. Violations of these standards may result tin disciplinary action consistent with City personnel policies. Because the City does not have parent, subsidiary, or affiliated entities, organizational conflicts of interest are not anticipated; however, if such situation were ever to arise, the City will develop appropriate written standards to ensure impartiality in the procurement process. [2 CFR §200.318(c)(2)]

Departments must avoid acquiring unnecessary or duplicative items and should evaluate opportunities to consolidate or separate procurements when doing so may result in more economic outcomes. When appropriate, departments should conduct lease-versus-purchase analysis or other cost-effectiveness evaluations to determine the most economical approach.[2 CFR §200.318(d)]

To promote efficiency and cost savings, the City is encouraged to use intergovernmental agreements, cooperative purchasing contracts, and other shared-service arrangements when appropriate. These practices must still comply with all applicable federal competition requirements. Departments are also encouraged to use Federal excess or surplus property when feasible and cost-effective instead of purchasing new equipment. .[2 CFR §200.318(e) & (f)]

For construction projects of sufficient size or complexity, the City may include value engineering provisions designed to identify opportunities for cost reductions while maintaining essential functionality. [2 CFR §200.318(g)] Contracts funded with Federal grant dollars will be awarded only to responsible contractors that demonstrate integrity, compliance with public policy, satisfactory performance history, and adequate financial and technical resources. The City will also comply with federal suspension and debarment requirements found in 2 CFR §200.214. [2 CFR §200.318(h)and §200.214]

The City will maintain procurement records that document the history of each procurement action. These records must identify the method of procurement used, the rationale for selecting that method, the basis for contractor selection or rejection, the contract type chosen, and the basis for the contract price. Records must be sufficient to meet federal audit and monitoring standards.[2 CFR §200.318(i)]

Time-and-materials contracts may be used only when no other contract type is suitable and only when the contract contains a not-to-exceed price that the contractor may not exceed at its own risk. Departments using this type of contract must exercise a higher degree of oversight to ensure efficient performance and appropriate cost controls. [2 CFR §200.318(j)] Before execution, any time-and-materials contract to be charged to a Federal award must be reviewed and approved by the City Attorney's Office and, when required by the terms of the Federal program, by the Federal awarding agency or pass-through entity.

§200.319 Competition

All procurements conducted by the City of Huntsville using Federal grant funds must be carried out in a manner that provides full and open competition, consistent with the requirements of 2 CFR §200.319 and §200.320. Ensuring open competition is not only a federal requirement – it also helps the City obtain the vest value and maintain public trust in the integrity of its purchasing process.

To support objective contractor performance and avoid unfair competitive advantage, the City will not allow a contractor, consultant, or firm that prepares or assists in preparing specifications, statements of work, requirements, or solicitation documents to compete for the same procurement. [2 CFR §200.319 (b)] In practice, this means that anyone who helps shape the scope of work may not later submit a proposal for it. This separation protects both the City and the fairness of the process.

The City must also avoid procurement practices that may restrict competition. Federal guidance provides several examples of what this looks like in the real world, including setting unreasonable qualification requirements; demanding unnecessary experience or excessive bonding; allowing noncompetitive pricing practices amount firms; awarding noncompetitive contracts to on-on retainer consultants; permitting organizational conflicts of interest; specifying a single brand name without allowing an equivalent product; or taking arbitrary action that affects the competitive process. [2 CFR §200.319 (b)] These types of situations can limit competition and must be avoided.

The City must conduct all federally funded procurements in a manner that does not impose state, local or geographical preferences in evaluating bids or proposals, unless a specific Federal statute requires or encourages such a preference.[2 CFR §200.319(C)] This requirement does not prevent the City from requiring vendors to hold the licenses required under Texas law. This distinction is important because licensing requirements are legal qualifications – not geographic preferences. When procuring architectural or engineering services the City may consider a firm's geographic location as one of many selection factors, as long as doing so does not reduce the number of qualified firms able to compete, given the nature and size of the project.

The City maintains written procurement procedures to guide the development and issuance of competitive solicitations. [2 CFR §200.319 (d)] Each solicitation must include a clear and accurate description of the materials, products, or services being purchased. The description should be detailed enough to communicate what the City needs but not so restrictive that it narrows competition unnecessarily. IN some cases, this may include descriptions of the qualitative features or essential characteristics needed for the intended use. Detailed product specifications should be avoided, as they can unintentionally limit competition. When it is impractical to develop a complete technical description, the City may use a "brand name or equivalent" approach, provided the key performance of functional characterizes are clearly identified. Solicitations must also identify all requirements that bidders or proposers must meet, as well as all evaluation factors that will be applied during the selection process.

If the City uses pre-qualified lists of vendors, firms, or products for federally funded procurements, these lists must be kept current and include enough qualified sources to support full and open completion. Additionally, the City may not prevent new vendors from qualifying during the solicitation period or structure the list in a way that limits compitition.[2 CFR §200.319(e)]

Finally, the City may award a non-competitive (sole source) procurement only when one of the limited circumstances permitted under 2 CFR §200.320(c) applies.[2 CFR §200.319(f) referencing §200.320(c)] When a department believes that a non-competitive procurement is justified, the rational must be documented and clearly meet federal standards. All sole-source justifications must be submitted to the Purchasing Department for review and approval before the procurement method is used or any contact executed.

§200.320 – Methods of Procurement

The City of Huntsville follows the procurement methods established in 2 CFR §200.320 for all acquisitions made with Federal grant funds. These methods must be applied together with the requirements in §§200.317-200.319 and all applicable State and City purchasing rules. When determining which procurement threshold applies, the City will always use the most restrictive requirement, whether it is the Federal, State or City threshold.

The City maintains document procurement procedures, as required by 2 CFR §200.318(a), that describe how each method of procurement must be carried out. These procedures provide a consistent framework for departments and help ensure compliance with federal and local resources.

Before initiating any purchase using Federal grant funds, whether through micro-purchase, small purchase, or formal procurement methods, departments are strongly encouraged to consult with the Purchasing Department or the Grant Management office. Early coordination helps ensure that the correct thresholds, documentation requirements, and procurement methods are applied and that the purchase complies with the applicable sections of 2 CFR Part 200.

- Informal Procurement Methods

  Informal procurement methods may be sued for purchases that do not exceed the Simplified Acquisition Threshold defined in the most current version of 2 CFR §200.1, unless the City has adopted a lower threshold. Informal methods allow the City to purchase needed goods and services efficiently while still maintaining appropriate safeguards.

  - Micro-Purchases

    Micro-purchases are purchases at or below the applicable micro-purchase thresholds established under the current version of 2 CFR §200.1, unless the City has adopted a lower internal threshold. These purchases may be made without soliciting competitive quotations when the prices are reasonable and properly documented. Whenever practical, micro-purchases should be distributed equitably among qualified suppliers. The City will follow all requirements in 2 CFR §200.320(a)(1) when determining or applying the appropriate micro-purchase threshold.

  - Small Purchases

Small purchases are those that exceed the micro-purchase threshold but do not exceed the Simplified Acquisition Threshold defined in 2 CFR §200.1, unless the City has a more restrictive internal threshold. For these procurements, the City must obtain price or rate quotations from an adequate number of qualified sources, consistent with 2 CFR §200.320(a)(2).

- Formal Procurement Methods

  When a purchase is above the level allowed for small purchase procedures, the City must use one of the formal procurement methods as outlined in 2 CFR §200.320(b). Formal methods involve public notice, a structured solicitation process and sufficient documentation to show that the procurement was conducted fairly and in full compliance with all requirements. As with other thresholds – the City will always apply the most restrictive requirement – Federal, State, or City – when determining whether formal methods must be used.

  - Sealed Bids

    Sealed bids, also known as Invitation for Bids (IFB), are appropriate when complete and adequate specifications are available, two or more responsible bidders are willing and able to compete, and the purchase can be awarded primarily on price. Bids must be publicly advertised, opened at the designated time and place, and evaluated based on responsiveness and responsibility. The contract is awarded to the lowest responsive and responsible bidder unless all bids are rejected for clearly documented reasons.

  - Competitive Proposals

    Competitive proposals are used when sealed bids/IFBs are not suitable. Under this method the City issues a Request for Proposals (RFP) that identifies all evaluation factors and their relative importance. Proposals are solicited from an adequate number of qualified offerors and are evaluated using a written method for scoring and selection.[2 CFR §200.320(b)(2)] The contract is awarded to the responsible offeror whose proposal is most advantageous to the City, considering price and other relevant factors.

    For architectural and engineering services, the City must use a qualifications-based selection method consistent with the Brooks Act and 2 CFR §200.320(b)(2)(iv), in which firms are evaluated on qualifications first and price is negotiated with the most qualified firm. This method is required for A/E procurements using federal funds.

- Noncompetitive Procurement (Sole Source)

  A noncompetitive procurement may be used only when one or more of the circumstances in 2 CFR §200.320(c) apply.

    - The purchase does not exceed the micro-purchase threshold;
    - Only one source is available;

- A public emergency or exigency will not permit delay
- The Federal awarding agency or pass through entity authorizes the request in writing; or
- Competition is inadequate after soliciting multiple sources.

Departments requesting a noncompetitive procurement must prepare a written justification explaining the basis for the request. All sole-source justifications must be reviewed and approved by the Purchasing Department before a contract is executed. When required by the Federal award, the justification must also be approved by the Federal awarding agency or pass through entity.

§200.321 – Contracting with Small and Minority Businesses, Women-Owned Businesses and Labor Surplus Area Firms

The City of Huntsville is committed to providing fair and inclusive opportunities in all federally funded procurements. IN accordance with 2 CFR §200.321, the City will take meaningful steps to encourage the participation of small businesses, minority-owned businesses, women-owned businesses, and firms located in labor surplus areas whenever feasible. The City will also follow any additional State-required supplier diversity or HUB requirements, applying the must restrictive applicable standard when Federal, State, or City requirements differ.

To support this commitment, departments must make reasonable efforts to identify and include qualified small, minority, women-owned firms in the solicitation process. This may include adding such firms to vendor lists, reaching out to them when they are potential sources, breaking larger procurements into smaller components when practical, or setting delivery schedules in a way that does not necessarily limit their ability to participate. Departments are also encouraged to use available resources such as the U.S. Small Business administration or the Minority Business Development Agency when those services can help broaden competition.[2 CFR §200.321(b)]

The Purchasing Department and the Grant Management office are available to assist departments with these efforts and can help ensure that all required steps are properly documented in the procurement file.

§200.3322 Domestic Preferences for Procurement

The City of Huntsville will give preference to goods, products, and materials produced in the United States whenever doing so is allowed by federal rules and is compatible with project needs and budget. Federal domestic preference requirements apply to all federally funded contracts, purchase orders, and subawards, and departments must ensure that any required domestic-origin language is included in the procurement documents.

Under this requirement, certain materials such as iron, steel, manufactured products and specific construction materials must meet federal definitions for U.S. production or manufacturing. Departments should review the applicable federal award terms and consult with the Purchasing Department and/or the Grant Management office when determining whether a domestic preference applies to a particular procurement.

The purchasing Department will assist departments in including the required clauses in bid documents and contracts, documentation showing how domestic preference requirements were addressed must be maintained in the procurement file.

§200.323 Procurement of Recovered Materials

The City must follow the requirements of Section 6002 of the Solid Waste Disposal Act and 2 CFR §200.323 when purchasing any products made from recovered materials. These rules apply whenever the City buys an item that appears on the Environmental Protection Agency's (EPA) list of designated products regardless of whether the purchase is funded with federal grant funds or local City funds. [40 CFR Part 247]

Because the EPA updates this list over time, departments should contact the Purchasing Department before acquiring any product that may fall into a designated recovered materials category. Purchasing will help determine whether the item is covered, what documentation is required, and how to ensure compliance with federal standards.

§200.324 Contract Cost and Price Requirements

For any procurement action that exceeds the Simplified Acquisition Threshold, including contract modifications, the City must complete a cost or price analysis as required by 2 CFR §200.324. This begins with preparing an independent cost estimate, also know as an 'ICE', before bids or proposals are received.

If competition is limited or unavailable, the City must negotiate profit as a separate element of the contract price. When negotiating profit, departments should consider the complexity of the work, the level of risk to the contractor, the contractor's investment, the amount of subcontracting anticipated, the contractor's past performance, and typical industry profit rates for similar work. [2 CFR §200.324(b)]

Any contract that includes estimated or reimbursable costs must rely on cost principles allowable under 2 CFR Part 200, Subpart E, and cost-plus-percentage-of-cost contracts are strictly prohibited as per 2 CFR §200.324(d).

§200.325 Federal Awarding Agency or Pass-Through Entity Review

Under 2 CFR §200.325, the City must make procurement records available to the Federal awarding agency or pass-through entity whenever requested. This includes technical specifications, solicitation documents, independent cost estimates, and any other records needed by the agency to confirm that the procurement complies with federal requirements.

A Federal agency may request these records before a solicitation is issued or at any point during the procurement process. The City must all provide documents for pre-procurement review whenever required by the terms of the federal award or when the circumstances outlined in 2 CFR §200.325(b) apply.

§200.326 Bonding Requirements

For construction or facility improvements contracts that exceed the Simplified Acquisition Threshold, the City will follow the bonding requirements of 2 CFR §200.326. In most cases, the Federal awarding agency or pass-through entity may allow the City to use its own bonding policies, provided they determine that the federal interest is adequately protected. If such a determination is not made, the minimum federal bonding requirements apply.

Under the federal standards, bidders must submit a bid guarantee equal to five percent of the bid price to ensure that the contractor will execute the contract if awarded. Contractors must also provide a performance bond for 100 percent of the contract price to guarantee completion of the work, and a payment bond for 100 percent of the contract price to ensure that subcontractors and suppliers are paid as required by law.

§200.327 Contract Provisions

When the City enters into a contract using federal grant funds, the agreement must include all clauses required under 2 CFR §200.327 and Appendix II to 200. The specific clauses that apply will depend on the type of procurement, the dollar amount, and the nature of the work. These federally required provisions cover topics such as remedies, termination, equal employment opportunity, Davis-Bacon, contract work hours and safety standards, rights to inventions, Clean Air and Water Act compliance, debarment and suspension, anti-lobbying requirements, recovered materials, and any prohibitions on certain telecommunications equipment.

Purchasing and the Grant Management office will assist departments in determining when provisions apply to a particular contract to ensure the City remains fully compliant with federal requirements.

Protest Procedures

The City of Huntsville provides a formal process for respondents – including bidders, proposers, or any party who has participated in a City solicitation – to raise concerns about how a solicitation or contract award was handled. The purpose of this process is to ensure fairness, transparency, and consistency across procurements. All protests are reviewed and decided by the City Attorney or their designee, who will issue a final decision in writing.

A respondent wishing to file a protest must submit it in writing to the Purchasing Department at purchasing@huntsville.gov. A pre-award protest must be received no later than five (5) business days after the respondent becomes aware of the issue being challenged, but before the scheduled bid opening. A post-award protest must be received no later than ten (10) business days after the notice of intent award of notice of award is issued. Protests filed after these deadlines will not be considered.

A protest must clearly identify the solicitation or contract, describe the specific grounds for the protest, and provide any supporting facts or documentation. Purchasing will acknowledge receipt and forward the protest and the procurement file to the City Attorney for review.

Upon receiving a timely protest, Purchasing will pause further action on the procurement unless the City Attorney determines that proceeding is necessary to protect the City's interests. The City Attorney will review the protest, evaluate the procurement record, request additional information if needed, and issue a written decision. The decision will state whether the protest is granted or denied and whether any corrective action is required. The determination of the City Attorney or their designee is final.

All documentation related to the protest, including the protest letter, correspondence and the written decision, must be retained in the official procurement file.

PURCHASING POLICY

DISPOSITION OF SURPLUS PROPERTY. The City shall dispose of surplus, obsolete, damaged, or unusable property in accordance with applicable provisions of the applicable state and federal laws, the City Charter, and City policies. All property disposals shall be authorized, documented, and conducted in a manner that ensures transparency, accountability, fair market value when required, and responsible stewardship of public assets. Disposal methods, including transfer, trade-in, public sale, auction, recycling, donation when authorized, or destruction, shall comply with applicable provisions of the Texas Local Government Code and established City financial and asset management procedures.

All sales or auctions shall be conducted in a fair, transparent manner and properly documented, with proceeds deposited into the appropriate City fund and the City's fixed-asset and inventory records updated accordingly.

Real property shall be disposed of separately in accordance with applicable provisions of Texas Local Government Code Chapters 253 and 272, including required public notice, bidding, appraisal, or public auction requirements.

No City employee or official shall dispose of, purchase, or otherwise acquire City property except through an authorized disposal process. All disposals shall be supported by appropriate records identifying the property, authorization, method of disposal, purchaser or recipient when applicable, sale proceeds, and final disposition.
(ADD PG 19)

LOCAL VENDORS. To support the local economy while maintaining fair and competitive procurement practices, in accordance with the Texas Local Government Code. A responsible local vendor may be awarded a contract when its solicitation submission is within the maximum percentage of up to 10 percent above the lowest responsive solicitation submitted by a non-local vendor, provided doing so is determined to be in the City's best interest and all statutory requirements are satisfied.
(ADD PG 7)

TRAVEL. The City employee travel related reimbursements shall comply with the City's Travel Policy, applicable current U.S. General Services Administration (GSA) rates, and approved budgetary requirements. Reimbursement is limited to authorized, necessary, and reasonable business expenses, supported by required documentation and submitted within established deadlines. Employees are expected to utilize the most economical mode of travel available, and all travel expenditures, including transportation, lodging, meals, and mileage, shall be reimbursed in accordance with the provisions and limitations established in the City's Travel Policy.
(ADD PG 17)

CHANGE ORDERS. Change orders may be used to increase or decrease the quantity of work, materials, or supplies under an awarded competitive bid solicitation, subject to applicable provisions of Texas Local Government Code 252.048. Changes generally may not increase or decrease the original contract price by more than 25%; decreases exceeding 25% require contractor approval, while increases beyond 25% require separate procurement for the additional work or materials. Change orders must be approved by the City Council or properly delegated authority in accordance with applicable statutory and City requirements, and all change orders shall be documented and executed in writing.

Even after a bid has been awarded, a city may still increase or decrease the quantity of work to be done or the materials or supplies to be furnished through the use of a change order. Such changes may not increase or decrease the original contract price by more than 25 percent. If the city wants to decrease the contract amount by more than 25 percent, it needs to obtain the approval of the contractor for the change. There is no comparable authority for the city to simply gain contractor approval to increase the amount of the order by more than 25 percent. In such a situation, the city would need to seek bids or proposals for the work or products that would be beyond the 25 percent amount.

The city council may also delegate to city staff the authority to approve such change orders if it involves less than a $50,000 decrease or increase in the contract amount. If a change order for a public works contract in a city with a population of 240,000 or more involves a decrease or increase of $100,000 or less, or a lesser amount as provided by ordinance, city council may delegate to city staff the authority to approve such change orders.

These change order approval requirements outlined in Section 252.048 of the Government Code apply only to change orders for contracts awarded through the competitive bidding procedures required under Section 252.021.

With regard to change orders to public works contracts, cities should be aware that a vendor or a subcontractor may elect not to proceed with the additional work if: (1) the change order is unsigned; and (2) the aggregate actual or anticipated value of the additional work plus any other outstanding additional work requests exceeds 10 percent of the original contract amount. A vendor or a subcontractor in this instance would not be responsible for damages associated with the choice not to proceed. This provision is applicable to all public works contracts, regardless of whether the contract was awarded through the competitive bidding procedures required under Section 252.021.
(ADD PG 15)

City Of Huntsville

Purchasing Policy

Revised August 11, 2026
Revised December 16, 2025
Revised July 3, 2023
Revised July 26, 2016
Revised March 15, 2022
Revised September 1, 2023

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Forward

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 $100,000, 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:

- Don't commit to or acquire goods or services without an authorized purchasing plan or you could be held personally liable for the payment.
- Do 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.
- Do 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.
- Do 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

Purchasing Thresholds

- **Purchasing Guidelines for Purchases 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 Purchases 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 between $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 between $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.

- **Purchasing Guidelines for Purchases $100,000.01 and over**
  A formal sealed competitive solicitation is required, unless the procurement is exempt by law. The solicitation process starts with a planning meeting to decide the appropriate solicitation method (IFB, RFP, RFQ), project timeline, and required documentation. The Department Director must provide an estimated budget to support planning, compliance, and fiscal review. The Purchasing Department will coordinate, develop, and issue the solicitation. The requesting department is the subject-matter expert and is responsible for providing a complete scope of work or specifications for the solicitation. Finally, the Department Director will submit the recommendation of award to the City Council for approval.
- **Purchasing Guidelines 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.

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.

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.

Local Vendors

To support the local economy while maintaining fair and competitive procurement practices, in accordance with the Texas Local Government Code. A responsible local vendor may be awarded a contract when its solicitation submission is within the maximum percentage of up to 10 percent above the lowest responsive solicitation submitted by a non-local vendor, provided doing so is determined to be in the City's best interest and all statutory requirements are satisfied.

Solicitation Protest

Any actual or prospective vendor or contractor who is aggrieved in connection with the solicitation or award of a contract may file a written protest. Protests must be submitted to the Purchasing Department within 10 days post award and must clearly state the grounds for the protest and the relief requested. The Purchasing Department will review the protest, conduct any necessary investigations, and issue a written decision within a reasonable period. The Purchasing Department shall make every effort to settle protests promptly and fairly and will not proceed with the contested procurement until the protest is resolved, unless failure to do so would pose a significant risk to operations or the public interest.

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

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

Performance Review Requirements

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. 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.

- 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.

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.

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.

Change Orders

Change orders may be used to increase or decrease the quantity of work, materials, or supplies under an awarded competitive bid solicitation, subject to applicable provisions of Texas Local Government Code 252.048. Changes generally may not increase or decrease the original contract price by more than 25%; decreases exceeding 25% require contractor approval, while increases beyond 25% require separate procurement for the additional work or materials. Change orders must be approved by the City Council or properly delegated authority in accordance with applicable statutory and City requirements, and all change orders shall be documented and executed in writing.

Even after a bid has been awarded, a city may still increase or decrease the quantity of work to be done or the materials or supplies to be furnished through the use of a change order. Such changes may not increase or decrease the original contract price by more than 25 percent. If the city wants to decrease the contract amount by more than 25 percent, it needs to obtain the approval of the contractor for the change. There is no comparable authority for the city to simply gain contractor approval to increase the amount of the order by more than 25 percent. In such a situation, the city would need to seek bids or proposals for the work or products that would be beyond the 25 percent amount.

The city council may also delegate to city staff the authority to approve such change orders if it involves less than a $50,000 decrease or increase in the contract amount. If a change order for a public works contract in a city with a population of 240,000 or more involves a decrease or increase of $100,000 or less, or a lesser amount as provided by ordinance, city council may delegate to city staff the authority to approve such change orders.

These change order approval requirements outlined in Section 252.048 of the Government Code apply only to change orders for contracts awarded through the competitive bidding procedures required under Section 252.021.

With regard to change orders to public works contracts, cities should be aware that a vendor or a subcontractor may elect not to proceed with the additional work if: (1) the change order is unsigned; and (2) the aggregate actual or anticipated value of the additional work plus any other outstanding additional work requests exceeds 10 percent of the original contract amount. A vendor or a subcontractor in this instance would not be responsible for damages associated with the choice not to proceed. This provision is applicable to all public works contracts, regardless of whether the contract was awarded through the competitive bidding procedures required under Section 252.021.

Insurance Requirements

Change orders may be used to increase or decrease the quantity of work, materials, or supplies under an awarded competitive bid solicitation, subject to applicable provisions of Texas Local Government Code 252.048. Changes generally may not increase or decrease the original contract price by more than 25%; decreases exceeding 25% require contractor approval, while increases beyond 25% require separate procurement for the additional work or materials. Change orders must be approved by the City Council or properly delegated authority in accordance with applicable statutory and City requirements, and all change orders shall be documented and executed in writing.

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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. 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

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.

Travel

The City employee travel related reimbursements shall comply with the City's Travel Policy, applicable current U.S. General Services Administration (GSA) rates, and approved budgetary requirements. Reimbursement is limited to authorized, necessary, and reasonable business expenses, supported by required documentation and submitted within established deadlines. Employees are expected to utilize the most economical mode of travel available, and all travel expenditures, including transportation, lodging, meals, and mileage, shall be reimbursed in accordance with the provisions and limitations established in the City's Travel Policy.

Purchasing Card Program

Any violations of this policy will be considered misuse and may result in disciplinary action.

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 and 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

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 or single occurrence issues could result in termination of card privileges, written reprimand, reimbursement, or up to employment termination. Examples include but are not limited to:
  - Repeated loss of receipts,
  - Unauthorized or unapproved business purchases,
  - Personal charges on the card (even if reimbursed),

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.

Disposition of Surplus Property

The City shall dispose of surplus, obsolete, damaged, or unusable property in accordance with applicable provisions of the applicable state and federal laws, the City Charter, and City policies. All property disposals shall be authorized, documented, and conducted in a manner that ensures transparency, accountability, fair market value when required, and responsible stewardship of public assets. Disposal methods, including transfer, trade-in, public sale, auction, recycling, donation when authorized, or destruction, shall comply with applicable provisions of the Texas Local Government Code and established City financial and asset management procedures.

All sales or auctions shall be conducted in a fair, transparent manner and properly documented, with proceeds deposited into the appropriate City fund and the City's fixed-asset and inventory records updated accordingly.

Real property shall be disposed of separately in accordance with applicable provisions of Texas Local Government Code Chapters 253 and 272, including required public notice, bidding, appraisal, or public auction requirements.

No City employee or official shall dispose of, purchase, or otherwise acquire City property except through an authorized disposal process. All disposals shall be supported by appropriate records identifying the property, authorization, method of disposal, purchaser or recipient when applicable, sale proceeds, and final disposition.

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 $100,000, 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 $100,000, 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.

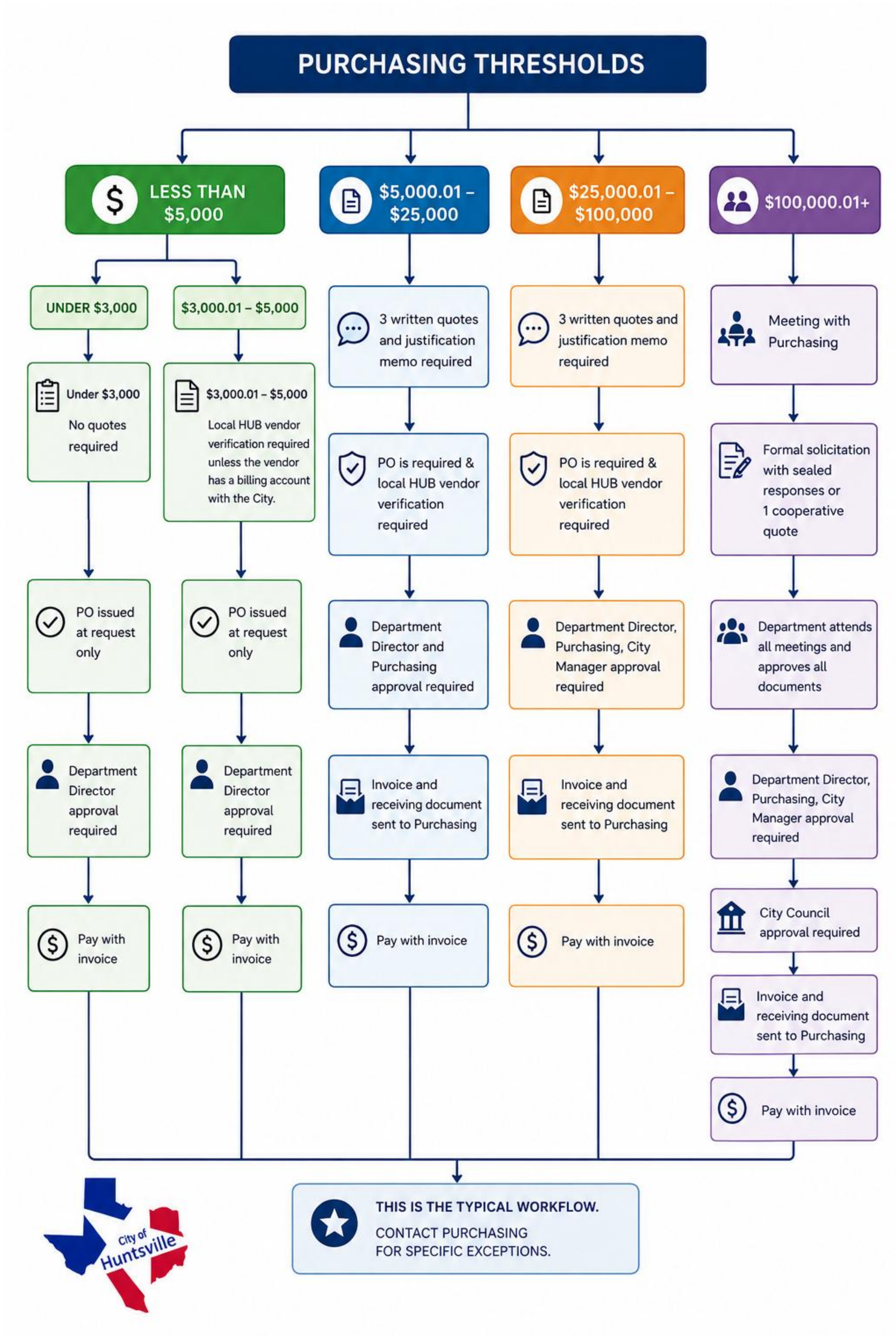
Term Purchase Order: A purchase order established for a defined period of time to allow for the recurring procurement of specified goods or services under agreed-upon terms and pricing. Term purchase orders facilitate efficient ordering and are typically used when needs are anticipated throughout the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



FLOW FOR ALL GOODS AND SERVICES, WHICH A PURCHASE ORDER (PO) IS ISSUED

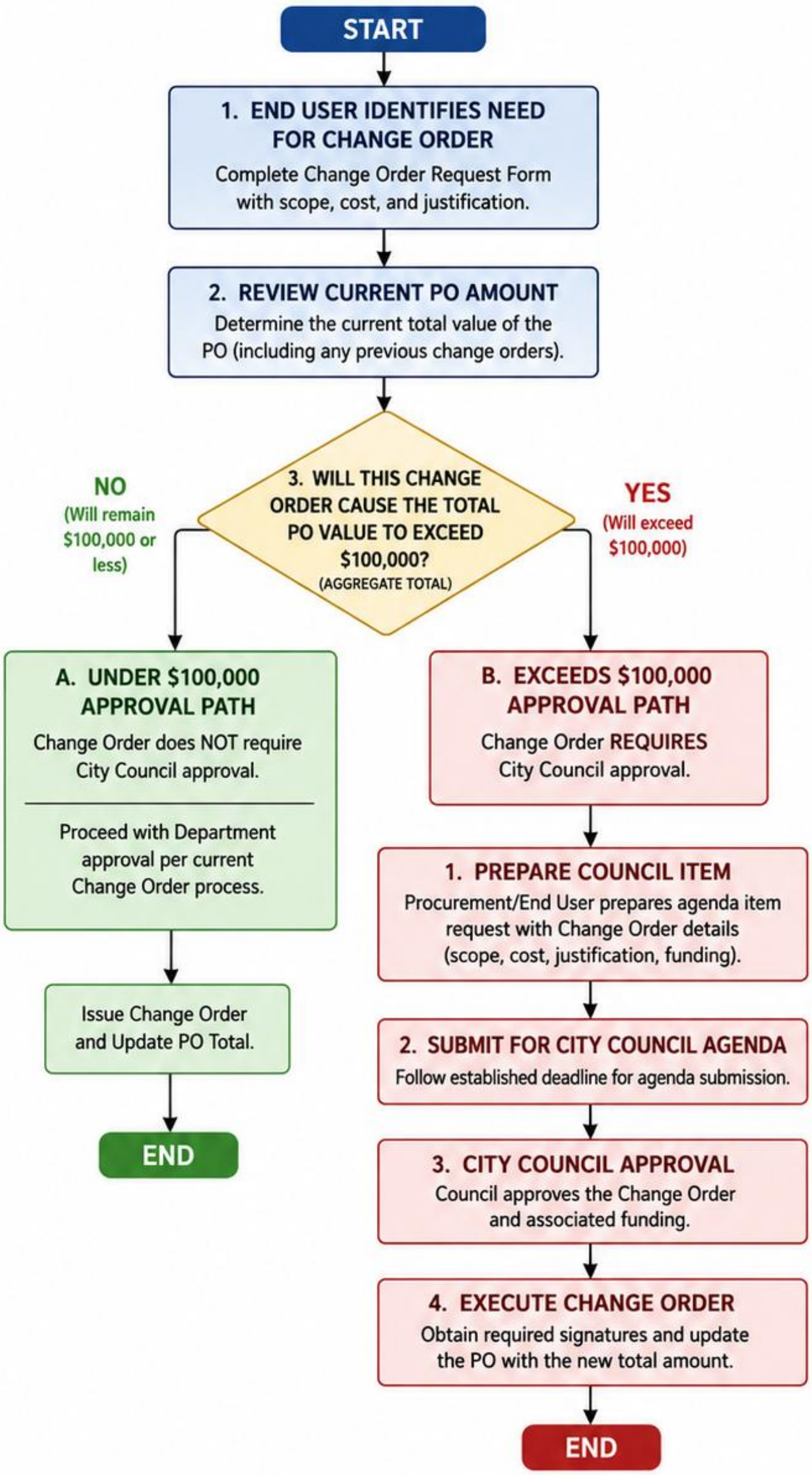
City of Huntsville

THIS IS THE TYPICAL WORKFLOW.

CONTACT PURCHASING FOR SPECIFIC EXCEPTIONS.

CHANGE ORDER APPROVAL PROCESS

Original PO Under $100,000 – Change Order Will Exceed $100,000



KEY RULE

If the total value of the PO (original amount PLUS all change orders) will exceed $100,000, the Change Order **must be approved by City Council** before it can be executed.

NOTES

- The $100,000 threshold is based on the AGGREGATE total of the PO.
- This applies even if the original PO was under $100,000.
- Plan ahead for Council meeting dates and submission deadlines.
- No work beyond the original PO scope or amount should be authorized until the Change Order is fully approved.

QUICK REFERENCE

Original PO Under $100,000
+ Change Order

Total PO Value:

- $100,000 or less → Department Approval
- Over $100,000 → City Council Approval

APPENDIX B – Procurement Policies and Procedures for Federal Grant Funds

Appendix B – Procurement Policies and Procedures for Federal Grant Awards

The City of Huntsville follows the procurement standards outlined in 2 CFR §§200.317 – 200.327 and Appendix II to Part 200 for all procurement actions funded in whole or in part with Federal grant funds. The City makes every effort to adhere to these requirements and updates its internal policies and procedures as Federal regulations change.

Because federal programs vary in scope and applicability, the entirety of 2 CFR §§200.317 – 200.327 may not apply to every procurement situation or funding source. This appendix reflects the current regulatory language and requirements in effect at the time of adoption of these policies and procedures. Where Federal guidance is revised or superseded, the City will follow the most current applicable regulations.

Note on §200.317

Section 200.317 applies specifically to States. As a municipal government, the City of Huntsville is considered a non-federal entity under 2 CFR Part 200 and is therefore required to follow the procurement standards in §§200.318-200.327 for all procurements funded in whole or in part with Federal grant funds. The State-specific provisions in §200.317 do not apply to the City.

2 CFR §200.318 – General Procurement Standards

The City of Huntsville follows the general procurement standards established in 2 CFR §200.318 for all procurements funded as a whole or in part with Federal grant funds. The City maintains documented procurement procedures that are consistent with State and local laws, the City's Purchasing Policy, and the federal requirements found in 2 CFR §200.317 through 200.327. These procedures must be followed by all departments when acquiring goods and services using Federal funds.

Departments are responsible for providing adequate oversight of contractors to ensure performance in accordance with terms, conditions, and specifications of their contracts or purchase orders. This oversight requirement applies through the life of the contract and is a core component of federal grant compliance.[2 CFR §200.318(b)] To support this responsibility, the Purchasing Department and the Grant Management Office are available to provide guidance and assistance to departments on contract monitoring, documentation, and compliance requirements whenever needed.

This policy establishes the City's standards of conduct for individuals involved in federally funded procurement activities. These standards apply to City Council Members, the City Manager, Assistant City Managers, Department Directors, managers, supervisors, employees, and any agents or representatives acting on behalf of the City in the selection, award, or administration of federally funded contracts. Individuals subject to these standards may not participate in a procurement if they have a real or apparent conflict of interest. A conflict exists when an individual, a member of their immediate family, their partner, or an organization employing or seeking to employ any of these parties has a financial or personal interest in a firm competing for a contract.[2 CFR §200.318(c) (1) & (c) (2)]

These individuals may not solicit or accept gifts, gratuities, or favors from contractors or subcontractors, except for unsolicited items of nominal value, defined for these purposes as $25 or less. Violations of these standards may result tin disciplinary action consistent with City personnel policies. Because the City does not have parent, subsidiary, or affiliated entities, organizational conflicts of interest are not anticipated; however, if such situation were ever to arise, the City will develop appropriate written standards to ensure impartiality in the procurement process. [2 CFR §200.318(c)(2)]

Departments must avoid acquiring unnecessary or duplicative items and should evaluate opportunities to consolidate or separate procurements when doing so may result in more economic outcomes. When appropriate, departments should conduct lease-versus-purchase analysis or other cost-effectiveness evaluations to determine the most economical approach.[2 CFR §200.318(d)]

To promote efficiency and cost savings, the City is encouraged to use intergovernmental agreements, cooperative purchasing contracts, and other shared-service arrangements when appropriate. These practices must still comply with all applicable federal competition requirements. Departments are also encouraged to use Federal excess or surplus property when feasible and cost-effective instead of purchasing new equipment. .[2 CFR §200.318(e) & (f)]

For construction projects of sufficient size or complexity, the City may include value engineering provisions designed to identify opportunities for cost reductions while maintaining essential functionality. [2 CFR §200.318(g)] Contracts funded with Federal grant dollars will be awarded only to responsible contractors that demonstrate integrity, compliance with public policy, satisfactory performance history, and adequate financial and technical resources. The City will also comply with federal suspension and debarment requirements found in 2 CFR §200.214. [2 CFR §200.318(h)and §200.214]

The City will maintain procurement records that document the history of each procurement action. These records must identify the method of procurement used, the rationale for selecting that method, the basis for contractor selection or rejection, the contract type chosen, and the basis for the contract price. Records must be sufficient to meet federal audit and monitoring standards.[2 CFR §200.318(i)]

Time-and-materials contracts may be used only when no other contract type is suitable and only when the contract contains a not-to-exceed price that the contractor may not exceed at its own risk. Departments using this type of contract must exercise a higher degree of oversight to ensure efficient performance and appropriate cost controls. [2 CFR §200.318(j)] Before execution, any time-and-materials contract to be charged to a Federal award must be reviewed and approved by the City Attorney's Office and, when required by the terms of the Federal program, by the Federal awarding agency or pass-through entity.

§200.319 Competition

All procurements conducted by the City of Huntsville using Federal grant funds must be carried out in a manner that provides full and open competition, consistent with the requirements of 2 CFR §200.319 and §200.320. Ensuring open competition is not only a federal requirement – it also helps the City obtain the vest value and maintain public trust in the integrity of its purchasing process.

To support objective contractor performance and avoid unfair competitive advantage, the City will not allow a contractor, consultant, or firm that prepares or assists in preparing specifications, statements of work, requirements, or solicitation documents to compete for the same procurement. [2 CFR §200.319 (b)] In practice, this means that anyone who helps shape the scope of work may not later submit a proposal for it. This separation protects both the City and the fairness of the process.

The City must also avoid procurement practices that may restrict competition. Federal guidance provides several examples of what this looks like in the real world, including setting unreasonable qualification requirements; demanding unnecessary experience or excessive bonding; allowing noncompetitive pricing practices amount firms; awarding noncompetitive contracts to on-on retainer consultants; permitting organizational conflicts of interest; specifying a single brand name without allowing an equivalent product; or taking arbitrary action that affects the competitive process. [2 CFR §200.319 (b)] These types of situations can limit competition and must be avoided.

The City must conduct all federally funded procurements in a manner that does not impose state, local or geographical preferences in evaluating bids or proposals, unless a specific Federal statute requires or encourages such a preference.[2 CFR §200.319(C)] This requirement does not prevent the City from requiring vendors to hold the licenses required under Texas law. This distinction is important because licensing requirements are legal qualifications – not geographic preferences. When procuring architectural or engineering services the City may consider a firm's geographic location as one of many selection factors, as long as doing so does not reduce the number of qualified firms able to compete, given the nature and size of the project.

The City maintains written procurement procedures to guide the development and issuance of competitive solicitations. [2 CFR §200.319 (d)] Each solicitation must include a clear and accurate description of the materials, products, or services being purchased. The description should be detailed enough to communicate what the City needs but not so restrictive that it narrows competition unnecessarily. IN some cases, this may include descriptions of the qualitative features or essential characteristics needed for the intended use. Detailed product specifications should be avoided, as they can unintentionally limit competition. When it is impractical to develop a complete technical description, the City may use a "brand name or equivalent" approach, provided the key performance of functional characterizes are clearly identified. Solicitations must also identify all requirements that bidders or proposers must meet, as well as all evaluation factors that will be applied during the selection process.

If the City uses pre-qualified lists of vendors, firms, or products for federally funded procurements, these lists must be kept current and include enough qualified sources to support full and open completion. Additionally, the City may not prevent new vendors from qualifying during the solicitation period or structure the list in a way that limits compitition.[2 CFR §200.319(e)]

Finally, the City may award a non-competitive (sole source) procurement only when one of the limited circumstances permitted under 2 CFR §200.320(c) applies.[2 CFR §200.319(f) referencing §200.320(c)] When a department believes that a non-competitive procurement is justified, the rational must be documented and clearly meet federal standards. All sole-source justifications must be submitted to the Purchasing Department for review and approval before the procurement method is used or any contact executed.

§200.320 – Methods of Procurement

The City of Huntsville follows the procurement methods established in 2 CFR §200.320 for all acquisitions made with Federal grant funds. These methods must be applied together with the requirements in §§200.317-200.319 and all applicable State and City purchasing rules. When determining which procurement threshold applies, the City will always use the most restrictive requirement, whether it is the Federal, State or City threshold.

The City maintains document procurement procedures, as required by 2 CFR §200.318(a), that describe how each method of procurement must be carried out. These procedures provide a consistent framework for departments and help ensure compliance with federal and local resources.

Before initiating any purchase using Federal grant funds, whether through micro-purchase, small purchase, or formal procurement methods, departments are strongly encouraged to consult with the Purchasing Department or the Grant Management office. Early coordination helps ensure that the correct thresholds, documentation requirements, and procurement methods are applied and that the purchase complies with the applicable sections of 2 CFR Part 200.

- Informal Procurement Methods

  Informal procurement methods may be sued for purchases that do not exceed the Simplified Acquisition Threshold defined in the most current version of 2 CFR §200.1, unless the City has adopted a lower threshold. Informal methods allow the City to purchase needed goods and services efficiently while still maintaining appropriate safeguards.

  - Micro-Purchases

    Micro-purchases are purchases at or below the applicable micro-purchase thresholds established under the current version of 2 CFR §200.1, unless the City has adopted a lower internal threshold. These purchases may be made without soliciting competitive quotations when the prices are reasonable and properly documented. Whenever practical, micro-purchases should be distributed equitably among qualified suppliers. The City will follow all requirements in 2 CFR §200.320(a)(1) when determining or applying the appropriate micro-purchase threshold.

  - Small Purchases

Small purchases are those that exceed the micro-purchase threshold but do not exceed the Simplified Acquisition Threshold defined in 2 CFR §200.1, unless the City has a more restrictive internal threshold. For these procurements, the City must obtain price or rate quotations from an adequate number of qualified sources, consistent with 2 CFR §200.320(a)(2).

- Formal Procurement Methods

  When a purchase is above the level allowed for small purchase procedures, the City must use one of the formal procurement methods as outlined in 2 CFR §200.320(b). Formal methods involve public notice, a structured solicitation process and sufficient documentation to show that the procurement was conducted fairly and in full compliance with all requirements. As with other thresholds – the City will always apply the most restrictive requirement – Federal, State, or City – when determining whether formal methods must be used.

  - Sealed Bids

    Sealed bids, also known as Invitation for Bids (IFB), are appropriate when complete and adequate specifications are available, two or more responsible bidders are willing and able to compete, and the purchase can be awarded primarily on price. Bids must be publicly advertised, opened at the designated time and place, and evaluated based on responsiveness and responsibility. The contract is awarded to the lowest responsive and responsible bidder unless all bids are rejected for clearly documented reasons.

  - Competitive Proposals

    Competitive proposals are used when sealed bids/IFBs are not suitable. Under this method the City issues a Request for Proposals (RFP) that identifies all evaluation factors and their relative importance. Proposals are solicited from an adequate number of qualified offerors and are evaluated using a written method for scoring and selection.[2 CFR §200.320(b)(2)] The contract is awarded to the responsible offeror whose proposal is most advantageous to the City, considering price and other relevant factors.

    For architectural and engineering services, the City must use a qualifications-based selection method consistent with the Brooks Act and 2 CFR §200.320(b)(2)(iv), in which firms are evaluated on qualifications first and price is negotiated with the most qualified firm. This method is required for A/E procurements using federal funds.

- Noncompetitive Procurement (Sole Source)

  A noncompetitive procurement may be used only when one or more of the circumstances in 2 CFR §200.320(c) apply.

    - The purchase does not exceed the micro-purchase threshold;
    - Only one source is available;

- A public emergency or exigency will not permit delay
- The Federal awarding agency or pass through entity authorizes the request in writing; or
- Competition is inadequate after soliciting multiple sources.

Departments requesting a noncompetitive procurement must prepare a written justification explaining the basis for the request. All sole-source justifications must be reviewed and approved by the Purchasing Department before a contract is executed. When required by the Federal award, the justification must also be approved by the Federal awarding agency or pass through entity.

§200.321 – Contracting with Small and Minority Businesses, Women-Owned Businesses and Labor Surplus Area Firms

The City of Huntsville is committed to providing fair and inclusive opportunities in all federally funded procurements. IN accordance with 2 CFR §200.321, the City will take meaningful steps to encourage the participation of small businesses, minority-owned businesses, women-owned businesses, and firms located in labor surplus areas whenever feasible. The City will also follow any additional State-required supplier diversity or HUB requirements, applying the must restrictive applicable standard when Federal, State, or City requirements differ.

To support this commitment, departments must make reasonable efforts to identify and include qualified small, minority, women-owned firms in the solicitation process. This may include adding such firms to vendor lists, reaching out to them when they are potential sources, breaking larger procurements into smaller components when practical, or setting delivery schedules in a way that does not necessarily limit their ability to participate. Departments are also encouraged to use available resources such as the U.S. Small Business administration or the Minority Business Development Agency when those services can help broaden competition.[2 CFR §200.321(b)]

The Purchasing Department and the Grant Management office are available to assist departments with these efforts and can help ensure that all required steps are properly documented in the procurement file.

§200.3322 Domestic Preferences for Procurement

The City of Huntsville will give preference to goods, products, and materials produced in the United States whenever doing so is allowed by federal rules and is compatible with project needs and budget. Federal domestic preference requirements apply to all federally funded contracts, purchase orders, and subawards, and departments must ensure that any required domestic-origin language is included in the procurement documents.

Under this requirement, certain materials such as iron, steel, manufactured products and specific construction materials must meet federal definitions for U.S. production or manufacturing. Departments should review the applicable federal award terms and consult with the Purchasing Department and/or the Grant Management office when determining whether a domestic preference applies to a particular procurement.

The purchasing Department will assist departments in including the required clauses in bid documents and contracts, documentation showing how domestic preference requirements were addressed must be maintained in the procurement file.

§200.323 Procurement of Recovered Materials

The City must follow the requirements of Section 6002 of the Solid Waste Disposal Act and 2 CFR §200.323 when purchasing any products made from recovered materials. These rules apply whenever the City buys an item that appears on the Environmental Protection Agency's (EPA) list of designated products regardless of whether the purchase is funded with federal grant funds or local City funds. [40 CFR Part 247]

Because the EPA updates this list over time, departments should contact the Purchasing Department before acquiring any product that may fall into a designated recovered materials category. Purchasing will help determine whether the item is covered, what documentation is required, and how to ensure compliance with federal standards.

§200.324 Contract Cost and Price Requirements

For any procurement action that exceeds the Simplified Acquisition Threshold, including contract modifications, the City must complete a cost or price analysis as required by 2 CFR §200.324. This begins with preparing an independent cost estimate, also know as an 'ICE', before bids or proposals are received.

If competition is limited or unavailable, the City must negotiate profit as a separate element of the contract price. When negotiating profit, departments should consider the complexity of the work, the level of risk to the contractor, the contractor's investment, the amount of subcontracting anticipated, the contractor's past performance, and typical industry profit rates for similar work. [2 CFR §200.324(b)]

Any contract that includes estimated or reimbursable costs must rely on cost principles allowable under 2 CFR Part 200, Subpart E, and cost-plus-percentage-of-cost contracts are strictly prohibited as per 2 CFR §200.324(d).

§200.325 Federal Awarding Agency or Pass-Through Entity Review

Under 2 CFR §200.325, the City must make procurement records available to the Federal awarding agency or pass-through entity whenever requested. This includes technical specifications, solicitation documents, independent cost estimates, and any other records needed by the agency to confirm that the procurement complies with federal requirements.

A Federal agency may request these records before a solicitation is issued or at any point during the procurement process. The City must all provide documents for pre-procurement review whenever required by the terms of the federal award or when the circumstances outlined in 2 CFR §200.325(b) apply.

§200.326 Bonding Requirements

For construction or facility improvements contracts that exceed the Simplified Acquisition Threshold, the City will follow the bonding requirements of 2 CFR §200.326. In most cases, the Federal awarding agency or pass-through entity may allow the City to use its own bonding policies, provided they determine that the federal interest is adequately protected. If such a determination is not made, the minimum federal bonding requirements apply.

Under the federal standards, bidders must submit a bid guarantee equal to five percent of the bid price to ensure that the contractor will execute the contract if awarded. Contractors must also provide a performance bond for 100 percent of the contract price to guarantee completion of the work, and a payment bond for 100 percent of the contract price to ensure that subcontractors and suppliers are paid as required by law.

§200.327 Contract Provisions

When the City enters into a contract using federal grant funds, the agreement must include all clauses required under 2 CFR §200.327 and Appendix II to 200. The specific clauses that apply will depend on the type of procurement, the dollar amount, and the nature of the work. These federally required provisions cover topics such as remedies, termination, equal employment opportunity, Davis-Bacon, contract work hours and safety standards, rights to inventions, Clean Air and Water Act compliance, debarment and suspension, anti-lobbying requirements, recovered materials, and any prohibitions on certain telecommunications equipment.

Purchasing and the Grant Management office will assist departments in determining when provisions apply to a particular contract to ensure the City remains fully compliant with federal requirements.

Protest Procedures

The City of Huntsville provides a formal process for respondents – including bidders, proposers, or any party who has participated in a City solicitation – to raise concerns about how a solicitation or contract award was handled. The purpose of this process is to ensure fairness, transparency, and consistency across procurements. All protests are reviewed and decided by the City Attorney or their designee, who will issue a final decision in writing.

A respondent wishing to file a protest must submit it in writing to the Purchasing Department at purchasing@huntsville.gov. A pre-award protest must be received no later than five (5) business days after the respondent becomes aware of the issue being challenged, but before the scheduled bid opening. A post-award protest must be received no later than ten (10) business days after the notice of intent award of notice of award is issued. Protests filed after these deadlines will not be considered.

A protest must clearly identify the solicitation or contract, describe the specific grounds for the protest, and provide any supporting facts or documentation. Purchasing will acknowledge receipt and forward the protest and the procurement file to the City Attorney for review.

Upon receiving a timely protest, Purchasing will pause further action on the procurement unless the City Attorney determines that proceeding is necessary to protect the City's interests. The City Attorney will review the protest, evaluate the procurement record, request additional information if needed, and issue a written decision. The decision will state whether the protest is granted or denied and whether any corrective action is required. The determination of the City Attorney or their designee is final.

All documentation related to the protest, including the protest letter, correspondence and the written decision, must be retained in the official procurement file.

CITY COUNCIL FINANCE COMMITTEE AGENDA

8/18/2026

Agenda Item Number: 3.e.	
Agenda Item: Discussion of Proposed City Manager's Budget and possible property tax rate for FY 26-27	
Initiating Department/Presenter: Finance	
Presenter: Lance Hall, Finance Director	
Discussion: Discussion of the City Manager's Proposed Budget and possible property tax rate for FY 26-27.	
Financial Implications:	
Associated Information:	

CITY COUNCIL FINANCE COMMITTEE AGENDA

8/18/2026

Agenda Item Number: 3.f.

Agenda Item: Presentation of the City of Huntsville Debt Summary

Initiating Department/Presenter: Finance

Presenter:
Lance Hall, Finance Director

Discussion: During the August 4, 2026, Finance Committee Meeting, there was a request to review the city's debt.

Financial Implications:

Associated Information:
1. City Of Huntsville Debt Summary

City Of Huntsville Debt Summary

Debt Service Requirements

Year Ending September 30,	Principal	Interest	Total
2026	$ 1,210,000	$ 1,153,832	$ 2,363,832
2027	$ 1,255,000	$1,109,132	$2,364,132
2028	$1,305,000	$1,062,732	$2,367,732
2029	$1,350,000	$1,014,382	$2,364,382
2030	$1,405,000	$964,332	$2,369,332
2031-2035	$7,680,000	$4,126,260	$11,806,260
2036-2040	$8,835,000	$2,969,460	$11,804,460
2041-2045	$9,495,000	$1,727,404	$11,222,404
2046-2050	$7,895,000	$553,657	$8,448,657
Total	$ 40,430,000	$ 14,681,191	$ 55,111,191

Governmental Activities

Year Ending September 30,	Principal	Interest	Total
2026	$ 2,823,333	$ 5,087,352	$ 7,910,685
2027	$3,546,666	$4,338,338	$7,885,004
2028	$3,723,332	$4,165,905	$7,889,237
2029	$3,686,666	$3,987,063	$7,673,729
2030	$3,411,666	$3,829,580	$7,241,246
2031-2035	$19,275,001	$16,952,167	$36,227,168
2036-2040	$22,258,335	$12,910,921	$35,169,256
2041-2045	$21,068,334	$8,218,505	$29,286,839
2046-2050	$15,385,000	$4,828,560	$20,213,560
2051-2055	$14,605,000	$1,611,650	$16,216,650
Total	$ 109,783,333	$ 65,930,041	$ 175,713,374

Business-type Activities

At September 30, 2025, there were no authorized or unissued general obligation or revenue bonds, and the City is in compliance with all bond ordinances.
General obligation bonds and certificates of obligation are generally secured by pledged tax revenues; revenue bond pledges are generally limited to nominal amounts but are fully expected to be paid with utility revenues. The obligations do not have subjective acceleration clauses; should the City default on these bonds or certificates, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment

Revenue Debt

A summary of revenue debt outstanding as of September 30, 2025, follows:
Business-type Activities:

$2,900,000 Combination Tax and Revenue Certificates of Obligation, Series 2015, dated September 15, 2015, to be used to construct a transfer station. Due in installments of $120,000 - $200,000 with interest rates of 3.0% - 4.0%. $ 1,695,000

$45,840,000 2018 Water and Wastewater System Revenue Bonds due in installments of $1,040,000 to $2,760,000 through 2043, interest rates from 1.750% - 3.625%. 37,385,000

$19,575,000 2022 Water and Wastewater System Revenue Bonds due in installments of $705,000 to $970,000 through 2051, interest rates from 3.00% - 4.00%. 17,680,000

$34,365,000 2025 Water & Wastewater Revenue Bonds due in installments through 2055, interest rates ranging 4.00 - 5.00%. 34,365,000

$14,930,000 2025 Combo Tax and Revenue CO's for Stormwater construction, due in installments through 2055, interest rate 4.5%-5.0%. 14,930,000

Contractual Obligations:

$4,095,000 2024 Trinity River Authority Contract Revenue Bonds due in installments of $53,900 to $779,000 through 2044, interest rates from 4.00% - 5.00%. 3,728,333

Total business-type activities $ 109,783,333

The contractual obligation relates to bonds issued by the Trinity River Authority (TRA), the City's primary water supplier. The bonds were issued to construct infrastructure to expand the capacity of water that can be provided to the City. The City is unconditionally obligated to pay, from the operating revenues of the City's waterworks, wastewater system, all debt service payments on these bonds; all operation and maintenance expenses of the facilities the bonds were used to build; and the amounts necessary to restore any deficiencies in funds required to be accumulated under the bond resolutions. TRA owns and operates all related assets. As such, the bonds do not qualify as conduit debt; however, the City has recognized a contractual obligation for the amount of the bond principal the City will be obligated to pay in the future. The City recognized an asset for water rights that has been reported with capital assets.

Tax Supported Debt

A summary of tax-supported debt outstanding at September 30, 2025, follows:

Governmental Activities:

$19,890,000 General Obligation Bonds, Series 2019, dated August 6, 2019, to finance construction of new public safety facilities for police and fire protection including the acquisition of any necessary sites and related infrastructure. Due in annual installments of $435,000 - $985,000 with an interest rate of 3.0%. $ 17,160,000

$19,115,000 General Obligation Bonds, Series 2020, dated August 18, 2020, to demolish and construct a new City service center and relocate certain City services to the City Hall, including related water, wastewater, drainage, streets, sidewalks, parking infrastructure and other related costs. Due in annual installments of $470,000 - $860,000 with an interest rate of 3.0%. 16,880,000

$3,285,000 Combination Tax and Revenue Certificates of Obligation, Series 2020, dated August 18, 2020, to construct, improve, renovate, and equip the City park and recreational facilities including the City's existing MLK Community Center. The proceeds will also finance the construction of an animal shelter including the purchase of necessary land and fees in connection with these projects. Due in annual installments of $115,000 - $170,000 with an interest rate of 2.0%. 2,780,000
$3,780,000 General Obligation Bonds, Series 2023, dated February 7, 2023, to construct, acquire, improve, renovate and equip a City services facilities project to include demolition, construction, renovation and equipping a new City service center at the existing site and relocation of certain City services to City Hall, including related water, wastewater, drainage, streets, sidewalks, parking infrastructure and other related costs. Due in annual installments of $45,000 - $285,000 with an interest rate of 5.0%. 3,610,000

Total governmental activities $ 40,430,000

CITY COUNCIL FINANCE COMMITTEE AGENDA

8/18/2026

Agenda Item Number: 3.g.

Agenda Item: Budget Amendment

Initiating Department/Presenter: Finance

Presenter:
Lance Hall, Finance Director

Discussion: Discussion and possible action on proposed Budget Amendment(s).

Financial Implications:

Associated Information:
1. BA Edward Byrne Memorial Justice Assistance Grant with corrected date

Fiscal Year 2025-2026 Budget Amendments

August 18, 2026

A.

Incrase	grant Revenue - Police Grants SRF	$	18,530
Increase	Police Grants SRF - Grant Expenditures	$	18,530

Explanation: The City was awarded an FY 2026 Edward Byrne Memorial Justice Assistance Grant in the amount of $18,530. The City and Walker County will jointly use the grant funds toward the purchase of a controlled substance destruction incinerator for use by the Huntsville Police Department and Walker County Sheriff’s Office. This budget amendment places the $18,530 grant award in the FY 2026–27 budget. The City will be responsible for administering the grant.

CITY COUNCIL FINANCE COMMITTEE AGENDA

8/18/2026

Agenda Item Number: 3.h.

Agenda Item: Discussion of proposed Travel Policy.

Initiating Department/Presenter: Finance

Presenter:
Lance Hall, Finance Director

Discussion: Discussion of Travel Policy

Financial Implications:

Associated Information:
1. 08.06.26 Travel Policy (2)

CITY OF HUNTSVILLE TRAVEL POLICY

The City will comply with Internal Revenue Service (IRS) regulations when reporting certain travel reimbursements (generally involving non-overnight travel) as reportable income for income tax purposes.

Advances for overnight travel must be approved by the Finance Director and submitted 14 days prior to travel.

Per diem will not be granted for day trip travel.

All Travel Expense Forms shall be filled out and signed in ink, not pencil within ten (10) working days of the return date. The most current standardized form(s) provided by the Finance office must be used and all information requested on the form provided, including the detailed receipts (including lodging even if paid on City Credit Card), purpose of the travel, and agenda/itinerary/certificate, map quest (for personal vehicle). The Department Director is responsible for authorizing, within budget limits, all travel by themselves or their employees.

When traveling for City related business, mileage reimbursement is based upon the most economical mode of travel that is reasonably available. This includes utilizing City fleet vehicles and carpooling when available. When personal automobiles are used, reimbursement is calculated using the U.S. General Services Administration (GSA) Mileage Rate. Up to 15 miles can be allowed to cover travel between lodging and conference sites. If using air service, reimbursement will only be for the amount of an economy class ticket. Receipts are required for parking charges and toll road charges.

When traveling for City related business, the City will reimburse the employee a per diem rate based on length of travel and duration of event for meals related to overnight travel. Tips are included in the allowance. A department may elect to require receipts and reimburse the actual cost of the meal in lieu of a per-diem up to a maximum of the per diem rate. The City of Huntsville's per diem rate is established using the U.S. General Services Administration (GSA) Standard Rate as a benchmark. Although GSA publishes location specific rates for many destinations, the City adopts a standard rate for all travel to support consistent budgeting and ensure responsible stewardship of City resources.

Full per diem is $75.00 per day: Overnight travel for a full day session of at least six (6) hours outside the 60-mile radius.

Partial per diem is $60.00 per day: Overnight trip departing after 12 noon or returning before 5:00 pm.

When traveling for City related business, the City will reimburse up to the cost of the sponsoring hotel or necessary and reasonable lodging charges. Governmental type accommodation and rates are to be requested at all times. Charges on the hotel bill other than lodging are to be entered by day under their proper classification. An employee is expected to use the single room rate. If a non-City employee travels with the employee, the employee will be responsible for the difference in the single rate and increased occupancy charge. In general, the City will NOT reimburse the lodging cost for the night a seminar ends if the employee can reasonably be expected to return home. Employees should minimize overnight stays. It is generally expected that reimbursement for lodging the night prior to a seminar will be reimbursable only if the driving distance and conference start time make it unreasonable to travel on the day of the seminar/ meeting. If anything other than the room charge and hotel parking appear on the bill that will not be paid by the City, it is the responsibility of the employee to pay the supplemental charges and not charge the City credit card. If the employee will be requesting reimbursement for any of the supplemental charges, a detailed receipt is required. For example, if the employee uses room service for a meal and is requesting reimbursement (not if the employee is requesting per diem which should not be charged to the credit card), a detailed receipt for the meal is required. Baggage handling is not reimbursable. Valet parking is only reimbursable when self parking is not available.

It is the policy of The City of Huntsville that employees be reimbursed for necessary and reasonable job related expenses incurred in the authorized conduct of Citty business. All requests for reimbursement of expenses are subject to documentation and reasonableness and will be honored in conformance with adopted policies and procedures.

CITY COUNCIL FINANCE COMMITTEE AGENDA

8/18/2026

Agenda Item Number: 3.i.

Agenda Item: Consider a recommendation to the full City Council for approval of a $48,000 change order to Purchase Order# 2026-00000186 to Delta Fire & Safety, HGAC BUY Contract# EE11-24 for the total of $125,000.

Initiating Department/Presenter: Finance

Presenter:
Greg Mathis, Fire Chief

Discussion: Consider a recommendation to Council to approve an increase to the existing purchase order to cover the costs associated with Texas Commission on Fire Protection (TCFP) requiring bunker gear inspections, testing, repairs, and replacement. Any gear found to be deficient must be repaired or replaced. Bunker gear also has a maximum service life of ten years, after which it must be removed from service and destroyed. Due to increased costs associated with these requirements, the funds available on the current purchase order have been exhausted. Increasing the purchase order in compliance with City of Huntsville purchasing policies will allow the Fire Department to continue meeting TCFP requirements and ensure all personnel have safe, serviceable protective equipment available for emergency response. The requested change order will be funded through the line item series budgeted funds as well as approved budget amendments.

As part of the FY 25/26 budget, the approved amended budget for personal protective clothing in the amount of $103,125. A purchase order was requested and issued on 12/30/25 for $77,000. On June 24th, a budget amendment totaling $19,800 was requested with a subsequent journal entry completed by the Finance Department on June 29th.

Financial Implications:

Associated Information:
1. PO 2026-00000186 Delta Fire & Safety Inc

2. Contract Amendment

Ship To
Fire Station #2
2109 Sam Houston Avenue
Huntsville, TX 77340

Bill To
City of Huntsville
1212 Avenue M
Huntsville, TX 77340-4608

Purchase Order

No. 2026-00000186

DATE 12/30/2025

VENDOR 11938 - Delta Fire & Safety Inc

PURCHASE ORDER NUMBER MUST APPEAR ON ALL INVOICES, SHIPPERS, BILL OF LADING AND CORRESPONDENCE

Contact
Delta Industrial Service & Supply
3159 Summit Dr
Port Neches, TX 77651-6201

DELIVER BY
SHIP VIA
FREIGHT TERMS
PAGE **1 of 1**
ORIGINATOR: Lucy Gonzalez

REFERENCE #

QUANTITY	UNIT	DESCRIPTION	UNIT COST	TOTAL COST
1.0000	Each	Purchase/Inspection/Cleaning of Gear 101 552 52240 - Fire Gear / P.A.S.S. 77,000.00	77,000.0000	$77,000.00
			TOTAL DUE	$77,000.00

Special Instructions

HGACBuy EE11-24

Term & Conditions

DEFINITIONS:
City – City of Huntsville
City Council – The elected officials of the City of Huntsville who have been given the authority to exercise such powers and jurisdiction of all City business as conferred by the City Charter, Ordinance and Laws.
Contract- An agreement between the City and a vendor to furnish products over a designated period of time during which repeated purchases or a single purchase are made of the commodity (s) or service specified.
Vendor – The potential or successful bidder of an Invitation for Bid or Request for Proposal.

ACCEPTANCE: The City reserves the right to accept or reject any or all bids, to waive any informalities and technicalities, to accept the offer considered most advantageous in order to obtain the best value for the City in accordance with Local Government Code Chapter 252. Causes for rejection of a bid may include but shall not be limited to the bidder's current violation of any City ordinance, the bidder's current inability to satisfactorily perform the work or service, or the bidder's previous failure to properly and timely perform its obligation under a contract with the City. Bidders may be disqualified and rejection may be recommended for any but not limited to the following:

- Failure to use the form furnished by the City;
- A bid that fails to meet the essential requirements;
- A bid that does not conform to the specifications;
- A bid that fails to conform to the delivery schedule or permissible alternatives;
- Failure to submit a bid bond, insurance or other requested documents in conformance with the requirements;
- A bid seeking to qualify the terms and conditions, or otherwise seeking to limit contractor liability, or to limit the City's rights;
- A vendor that qualifies its price in such a manner that the firm's bid price cannot be determined;
- Price quoted shall be the price in effect at the time of delivery which remains unknown at the present time.
- A bid is contingent on also receiving awards on other bids currently under consideration.

All bidders are hereby notified that the City shall consider all factors it believes to be relevant in selecting the offer that provides the best value for the City including but not limited to the purchase price, the proximity of the bidder as it relates to his ability to perform the contract for the City, the delivery date, the reputation of the bidder and the bidder's goods or services, the quality of the bidder's goods or services, the bidders past performance under contracts with the City, and the bidder's compliance with City ordinances. The City is committed to obtaining its goods, products and services at the lowest price possible which benefit all the citizens of Huntsville. Therefore, in order to accomplish the objective/goal it is not the intention of the City to either exclude particular vendors or manufacturers nor to create restrictive situations in its request for bids and proposals. Any manufacturer's names, trade names, brand names, catalog numbers, technical data etc. used in the specifications are there for the sole purpose of establishing and describing general performance, quality levels, type and dimensions and such references are not intended to be restrictive. Alternate bids on similar or comparable products and/or services of any manufacturer or vendor equal to the products and/or services described in the specifications are invited and will be given careful consideration provided the alternate will accomplish the same task. The City shall be the sole judge on whether the alternate product and/or service is similar to, equal to and in compliance with that specified. The decision of the City shall be final. In literal compliance in reference to standards and specifications shall mean the meeting or exceeding of all or nearly all of the said standards and specifications. If the City determines that standards and specifications are in literal compliance and not all standards and specifications have been met or exceeded, the City must base such a determination on its finding that any standards and specifications which have not been met or exceeded do not render the bidder product any less usable for the purpose for which it is intended.

ADDENDA: Any interpretations, corrections or changes to an Invitation for Bid and/or Request for Proposal will be made by addenda. Sole issuing authority of addenda shall be vested by the City of Huntsville's Purchasing Department. Addenda may be posted on the City of Huntsville's web site and may be distributed to all who are known to have received a copy of this Invitation for Bid and/or Proposal will receive written notification. The City assumes no responsibility for the bidder's failure to obtain and/or properly submit any addendum. Failure to acknowledge and submit any addendum may be cause for the bid to be rejected. The City of Huntsville's decision to accept or reject any particular bid due to a failure to acknowledge and submit addenda shall be final.

ADVERTISING: Any advertising or promotions used which the Cities award is showcased, placed in written technology or verbal communication must be expressly authorized in writing by the City.

ALTERING BIDS: Bids cannot be altered or amended after the submission deadline without acceptable reason and without the approval of the procurement manager. Any interlineations, alteration, or erasure made before opening time should be initialed by the signer of the bid, guaranteeing authenticity.

AMENDMENTS: Chapter 176 of the Texas Local Government Code requires a person or agent of a person who contracts or seeks to contract for the sale or purchase of property, goods, or services with a local governmental entity to submit a Conflict of Interest Questionnaire to the appropriate records administrator of the City not later than the seventh business day after the date the person begins contract discussions or negotiations with the local governmental entity, or submits to the local governmental entity an application, response to a request for proposal or bid, correspondence, or another writing related to a potential agreement with the local governmental entity. For purposes of this bid, you may submit the completed form with your response. Each vendor is responsible for verifying they are using the most current form available from www.ethics.state.tx.us. This legislation is subject to change and each vendor should consult their own attorney regarding the current law.

ASSIGNMENT: The vendor is prohibited from transferring their rights and duties nor shall the vendor sell, assign, transfer or convey this contract, in whole or in part, without the prior written consent of the City of Huntsville. All subcontractors must be approved in writing by the City prior to any work being initiated.

BID AWARD: The City of Huntsville reserves the right to award bids on the lump sum or unit price basis. If the bidder desires the City to consider and all-or-none bid, it must be stated on the bid sheet (s). The City reserves the right to audit or inspect vendor's business records not limited to financial statements, liability insurance, bonding, and worker's compensation insurance and to request business references. All awards will be based on the best interest of the City, but not necessarily limited to, the following factors:

a. Conformity to specifications;
b. Purchase price, including payment discount terms;
c. The reputation of the bidder and of the bidder's goods or services;
d. The quality of the bidder's goods or services;
e. The extent to which the goods or services meet the City's needs
f. The bidder's past relationship with the City;
g. Delivery terms;
h. Availability of repair and maintenance parts;
i. Financial condition;
j. The total long-term cost to the City to acquire the bidder's good or services; and
k. Any relevant criteria specifically listed in this request for bid.

BRAND NAMES: Specifications may reference name brands, make, and/or model numbers. Any reference made to brand, make, and/or model used in specifications is for descriptive purposes only. Products/materials of like quality will be considered. The City shall act as sole judge in determining equality and acceptability of products offered.

CHANGE ORDERS: No oral statement of any person shall modify or otherwise change, or affect the terms, conditions or specifications stated in the resulting contract. All change orders to the contract will be made in writing and may require approval of the City Council.

COLLUSION: Advanced disclosures of any information to any particular bidder which gives that particular bidder any advantage over any other interested bidder in advance of the award whether in response to advertising or an informal request for bids or proposals, made or permitted by a member of the governing body or an employee or representative thereof, will cause to void that particular bidders bid or proposal. Prior to an award any communication with a member of the selection committee or governing board will cause to void that particular bidders bid or proposal and the committee member or the governing board member will be rejected from the voting process for that bid or proposal. By submission of this bid or proposal bidder attests that no improper communication has occurred resulting in an advantage over any other bidder, potential bidder, or advance discloser.

COMPLIANCE: This bid and vendor and/or contractor must comply with all federal, state, City and local laws concerning these types of service. The vendor is prohibited from discriminating due to racial, sexual, religious, disability, or any other grounds. Any known discrimination is grounds for immediate cancellation of contract at the sole expense of the vendor.

CONFLICT OF INTEREST: No public official shall have interest in this contract, in accordance with Vernon's Texas Codes Annotated, Local Government Code Title 5. Subtitle C, Chapter 171.

CONTRACT: This bid, when properly accepted by the City of Huntsville, shall constitute a contract equally binding between the successful bidder and the City of Huntsville. No different or additional terms or addendums, supplements, or amendments will become a part of this contract unless agreed to and signed by both the successful bidder and the City without the prior written approval of the City of Huntsville. Should any change in terms be requested by the vendor after the contract has been awarded, the City reserves the right to cancel the contract and award the bid to the next responsible responsive bidder. If during the life of the contract, the successful bidder's net prices to other customers for items awarded herein are reduced below the contracted price, it is understood and agreed that the benefits of such reduction shall be extended to the City. The City reserves the right to reject the bid of any bidder who is in violation of any City Ordinance. The City may, at its option, choose to negotiate a settlement of the ordinance violation as a condition of the bid award.

CONTRACT TERMINATION: The City may terminate this contract at any time upon thirty (30) calendar days written notice. Upon the Service Provider's receipt of such notice, the Service Provider shall cease work immediately. The Service Provider shall be compensated for the services satisfactorily performed prior to the termination date. If, through any cause, the Service Provider fails to fulfill its obligations under this contract, or if the Service Provider violates any part of the agreement of the contract, the City has the right to terminate this contract by giving the Service Provider five (5) calendar days written notice. The Service Provider will be compensated for the services satisfactorily performed before the termination date. Termination of the contract for cause shall be deemed as sufficient evidence and cause to remove the vendor's name from the bidder's list for receiving future bids. No terms or provision of the contract shall be construed to relieve the Service Provider of liability to the City for damages sustained by the City because of any breach of contract by the Service Provider. The City may withhold payments to the Service Provider until the exact amount of damages due to the City from the Service Provider is determined and paid. City reserves the right to order from another vendor in which an emergency or urgent need becomes necessary. If the City terminates the contract, the City will equitably compensate Contractor in accordance with the provisions of this contract for the services properly performed prior to the date specified in such notice following inspection and acceptance of same by the City. Contractor, will not, however, be entitled to lost or anticipated profits, special damages or consequential damages should the CITY choose to exercise it option to terminate.

DELIVERY: All delivery and freight charges (FOB City of Huntsville designated location) are to be included in the bid price. The City assumes no liability of goods delivered in a damaged or unacceptable condition.

DISCLOSURE REQUIREMENT: Chapter 176 of the Texas Local Government Code mandates the public disclosure of certain information concerning persons doing business or seeking to do business with the City, including affiliations and business and financial relationships such persons may have with the City officers or officials. An explanation of the requirements of Chapter 176, applicable forms and a complete text of the law is available by contacting the City of Huntsville City Secretary, 1212 Ave. M Huntsville, TX 77340. By doing business or seeking to do business with the City you acknowledge that you have been notified of your sole responsibility to comply with Chapter 176 of the Texas Local Government Code.

EXCEPTIONS/SUBSTITUTIONS: All bids meeting the intent of this invitation to bid will be considered for award. Bidders taking exception to the specifications, or offering substitutions, shall state these exceptions in the section provided or by attachment as part of the bid. The absence of such a list shall indicate that the bidder has not taken exceptions and shall hold the bidder responsive to perform in strict accordance with the specifications of the invitation. The City of Huntsville reserves the right to accept any and all or none of the exception(s)/substitution(s) deemed to be in the best interest of the City.

FIRM PRICE: Bidders must hold bid prices firm for 120 days after the bid opening date to allow the City sufficient time to award a contract. Once a contract is awarded, the successful bidder must hold bid prices firm for the duration of the contract.

FORCE MAJEURE: Vendor will not be held liable for noncompliance for any reasonable delay due to Force Majeure. Force Majeure is any delay caused by acts of God and or labor strikes.

FORM: Bids must be submitted on the City's form only. Bidder shall provide with this bid/proposal response, all documentation required. Failure to provide this information may result in rejection of bid. Bidders are required to submit bids itemized and prices extended when required. Bidders must return the entire original bid document with Invitation for Bid or Request for Proposal. Vendors should not change or alter packet in any way.

FUNDING: Award and funding of the bid, proposal, and contract is pending City of Huntsville City

Council approval. State of Texas statutes, Local Government Code 271.903 prohibit the obligation and expenditure of public funds beyond the fiscal year for which a budget has been approved. Therefore, anticipated orders or other obligations that may arise past the end of the current City of Huntsville fiscal year shall be subject to budget approval. The City reserves the right to rescind the contract at the end of each fiscal year if determined that there are insufficient funds to extend the contract and no cost.

INDEMNIFICATION AGREEMENT: The contractor agrees to indemnify, hold harmless and defend the City of Huntsville, its officers, agents and employees, both past and present, from and against any and all liability for any and all claims, liens, suits, demands, and actions for damages, injuries to persons (including death), property damage (including loss of use), and expenses, (including court costs, attorneys' fees and other reasonable costs of litigation) arising out of or resulting from Contractor's work and activities conducted in connection with or incidental to this contract and from any liability arising out of or resulting from intentional acts or negligence of the Contractor, including all such causes of action based upon common, constitutional, or statutory law, or based in whole or in part upon the negligent or intentional acts or omissions of Contractor, including but not limited to its officers, agents, employees, subcontractors, licensees, invitees, and other persons.

It is the express intention of the parties hereto, both the City and the Contractor, that the indemnity provided for in this Contract indemnifies and protects the City from the consequences of the City's own negligence to the fullest extent of the law.

INTERLOCAL COOPERATIVE: Other government entities within the State of Texas may be extended the opportunity to purchase off of the City of Huntsville's solicitation, with the consent and agreement of the successful vendor(s) and the City. Such consent and agreement shall be conclusively inferred from lack of exception to this clause in vendor's response. However, all parties indicate their understanding and all parties hereby expressly agree that the City is not an agent of, partner to or representative of those outside agencies or entities and the City is not obligated or liable for any action or debts that may arise out of such independently, negotiated "piggyback" procurements.

ITEMS supplied under this contract shall be subject to the City's approval. Items found defective or not meeting specifications shall be picked up and replaced by the successful bidder at the next service date at no expense to the City. If an item is not picked up within reasonable time after notification, the item will become a donation to the City for disposition.

LATE BIDS: Bids received after submission deadline will be considered void and unacceptable. The City of Huntsville is not responsible for lateness or non-delivery of mail, carrier, delivery etc., and the date/time stamp in the City Secretary's Office shall be the official time of receipt. Late bids will remain unopened and returned to the address on the outside of the envelope.

LAWS: This agreement will be governed and construed by the State of Texas Local Government Code, City Charter, City Ordinance, and City Purchasing Policy. Information in the record is deemed public record in accordance with the Texas Public Information Act. This agreement is performable in the City of Huntsville, Huntsville, Texas. Each party consents to the exclusive jurisdiction of the state courts having jurisdiction in the City of Walker, Texas. This Contract will be governed by and interpreted in accordance with the laws of the State of Texas, without regard to conflict of laws principles

NOTIFICATION: The City uses multiple channels for the notification and dissemination of all invitations to bid and/or request for proposals. The City accepts no responsibility for the lack of notification or receipt of bid to any and all potential bidders.

PAYMENT will be made upon receipt and acceptance by the City of item(s) ordered and receipt of a valid invoice, in accordance with the State of Texas Prompt Payment Act, Article 601lf V.T.C.S. All invoices must be mailed to City of Huntsville Attn: Accounts Payable 1212 Ave. M Huntsville, TX 77340. The City requests credits for any errors. Invoices will not be short paid.

PRICE redetermination may be considered by City of Huntsville only at the anniversary date of the contract and shall be substantiated in writing (i.e., manufacturer's direct cost, postage rates, Railroad Commission Rates, Wage/Labor Rates, etc.) with a sixty day prior written notice. The bidder's past history of honoring contracts at the bid price will be an important consideration in the City's evaluation of the lowest and best bid. The City of Huntsville reserves the right to accept or reject any/all of the price redetermination as it deems to be in the best interest of the City. The City reserves the right to reject price redetermination and award the bid to next responsible responsive bidder.

QUANTITIES: Quantities indicated in the bid are estimated based upon the best available information. The City reserves the right to increase or decrease the quantities by any amount deemed necessary to meet its needs without any adjustments in the unit bid prices. Bids must be submitted on units of quantity specified. In the event of errors in extended prices, the unit price shall govern. Any suggested quantity to secure better prices is welcomed. When discrepancies occur between words and figures, the words shall govern.

RECORD RETENTION: The awarded vendor must maintain copies of all documents relating to the contract for the length of the warranty period plus one year. Should the document be destroyed or for any reason the awarded vendor is unable to locate the contract, the warranty will be considered in force under the original terms of the contract.

REIMBURSEMENTS: There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing bids in response to the request. The City will not reimburse responding firms for these expenses, nor will the City pay any subsequent costs associated with the provision of any additional information or presentation, or to procure a contract for these services.

SAMPLES: When requested, samples shall be furnished free of expense to the City of Huntsville. All samples will be return when applicable.

SILENCE OF SPECIFICATION: The apparent silence of these specifications as to any detail or to the apparent omission from it of a detailed description concerning any point, shall be regarded as meaning that only the best commercial practices are to prevail. All interpretations of these specifications shall be made on the basis of this statement

TAXES: The City of Huntsville is exempt from Federal Excise, State Sales and Transportation Taxes. Tax must not be included in bid/proposal. The City upon request will execute a Tax Exemption Certificate. The City is statutorily exempt from State and Local Sales tax and a permit number is not required.

WARRANTY: Successful bidder shall warrant that all items/services shall conform to the proposed specifications and/or all warranties as stated in the Uniform Commercial Code and be free from all defects in material, workmanship and title.

WITHDRAWAL OF BID: No bid may be withdrawn after opening time without acceptable reason in writing and with the approval of the procurement manager.

7.2016

City of Huntsville - Budget Amendment Request Form

Instructions:
1. Complete Form
2. Obtain Signature of Responsible Department Head
3. Send to Finance for Processing

Name of Requesting Division: Fire

6/24/26

Account Name	Account Number	Amount	Increase or Decrease?
Air Pack Bottle Replacement	101-552-54052	$12,800.00	O Increase ● Decrease
State Mandated Testing	101-552-55065	$4,000.00	O Increase ● Decrease
Radio Maintenance	101-552-54030	$3,000.00	O Increase ● Decrease
Fire Gear / P.A.S.S.	101-552-52240	$19,800.00	● Increase O Decrease
			O Increase O Decrease
			O Increase O Decrease

Is this a budget transfer between expense items? ● Yes O No

If no, what is the source of funds? (contribution, grant, fund balance, etc.)

Please explain why this budget amendment is needed:

For the purpose of fire gear inspections, repairs, and replacements.

Authorization:

Department Head: Greg Mathis

Budget Manager:

Finance Director:

Assistant City Manager:

City Manager:

For Finance Department Use Only:

City Council Approval Required: Yes No Date of Approval: