

City of Taunton

OFFICE OF THE MAYOR

City Hall · 15 Summer Street · Taunton MA 02780 · (508) 821-1000

MAYOR SHAUNNA O'CONNELL



Ligia Madeira
DEPUTY CHIEF OF STAFF

Patrick Dello Russo, Jr.
CHIEF FINANCIAL OFFICER

—
Gill E. Enos
BUDGET DIRECTOR

City of Taunton Consolidated Financial Policies and Procedures Fiscal Year 2023



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Introduction and Intent

On behalf of Mayor O'Connell, the Finance Department is pleased to present the City of Taunton's first Consolidated Financial Policies and Procedures. The intent of our Policies is to further advance the City, and provide clarity and transparency to Residents, City Council, and the various agencies who examine our financial structure. It is important to show management of the complex rules and regulations that surround our day-to-day processes.

Financial policies set the boundaries within which financial decisions are made by the City. Unlike the budget adopted for a single fiscal year, financial policies are long-range in nature. They are carried over from one year to the next, adding continuity and stability to our financial structure.

Financial policies can also serve as the foundation for the City's long-range financial plan. By adopting and adhering to these policies, Taunton will improve its ability to provide the level and quality of services it can afford while protecting and improving the public health, safety, education and general wellbeing of its residents.

Adherence to proper financial policies will help Taunton develop flexibility to withstand external economic, environmental or other shocks or disruptions caused by factors over which it has no control while meeting the demands and challenges of natural growth, decline and change within the community.

Patrick D. Dello Russo Jr.
Chief Financial Officer

Budget Policies

1. Taunton will develop balanced budgets in which current revenues equal or exceed current expenditures.
2. Taunton will not balance the budget by using one time revenues to fund ongoing expenditure items.
 - a. In the event Stabilization Funds are used to balance the budget, those funds will be replenished by a free cash transfer in the first instance, when those funds are certified.
3. Taunton will not use budgetary procedures that balance the budget at the expense of meeting future year's expenses, such as: postponing or delaying expenditures, accruing future year revenues or rolling over short-term debt.
4. Prior to Budget submission, the Finance Department will meet with each Department Manager to review their request for funds.
5. Those requests will be reviewed with the Mayor.
6. Taunton's annual budget shall be recommended by the Mayor and approved by the Municipal Council.
7. The budget proposed to Taunton shall include the following sections:
 - a. Executive Summary from the Mayor
 - b. Budget Presentation from the Chief Financial Officer and Members of the Finance Department
 - c. Line By Line Budget Report Showing all Recommendations
 - d. Reports on Conditions of Revenues
 - e. Reports on Conditions of Expenditures
 - f. Each odd-ending Fiscal Year, Revenue Generating Department Managers will be required to submit a comparison of fees received to other comparable communities.
8. The Chief Financial Officer will hold Bi-Weekly Finance Department Meetings and keep the Mayor informed of budgetary performance and any other finance-related matters.
9. The Chief Financial Officer will provide quarterly reviews to the Municipal Council.
 - a. These reviews will cover updates on the Operational Budget, Capital Budget and Revenues.

The purpose of Budget Policies is to prevent the use of procedures that appear to balance the budget at the expense of our future. Delaying building and equipment maintenance or postponing the cost of operations are two of the most common procedures used to artificially create the appearance of a balanced budget. These actions merely pass today's costs onto future taxpayers and residents.

These Policies will ensure that Taunton does not spend more than it receives in revenue in any one year and therefore does not degrade its overall financial condition. This ensures that Taunton does not "live beyond its means" and build a structural deficit into its budget.

The Budget Policies will prevent Taunton from using one-time revenue to support ongoing operations. Simply put, this policy prevents the use of temporary funding to support ongoing needs.

The City's Budget Policies will prevent gimmicks such as expenditure deferral, booking future revenue in the current fiscal year or the inappropriate rolling over of debt. These fiscal maneuvers generally occur in times of poor financial performance and only serve to delay

necessary expenditures.

Budget Policies guide the development of Taunton's annual budget. These policies mandate communication with the Mayor and Municipal Council. They further define the line of authority and responsibility the Chief Financial Officer has and is obligated to provide.

The information provided will be of the most pressing financial issues before Taunton – overall fiscal condition, debt, revenues and capital needs and condition. This information will allow the Mayor to make decisions on the annual budget with necessary information regarding Taunton's overall financial condition, the condition of our capital assets and other matters of importance. The Policies will serve as a tool for the Mayor and Municipal Council to ensure Revenue Projections are on track and expenditures are inside the appropriations.

Revenue Policies

1. Taunton's annual budget shall include a revenue budget that is created in line item detail for Taunton operations.
2. Taunton will estimate its revenue with conservative methods and present this along with the balanced budget.
3. Taunton may build into its revenue base from one fiscal year to the next an increase in each revenue category of no more than 4%.
 - a. There will be an exception of real and personal property taxes that may increase from time to time with passage of a debt exclusion or override.
 - b. There will be an exception for State Aid increases granted to the City.
 - c. There will be an exception if new recurring revenues are identified.
4. Taunton shall review and update the fee schedule of each of its Departments no less than every two years to ensure that costs of service are being fully recovered.

Significant attention is provided to Taunton's expenditure budget to ensure that taxpayer money is expended prudently and in a cost-effective manner. Taunton's revenue budget does not receive a similar level of attention but is equally as important; this budget provides the funding that is detailed in the expenditure budget. Taunton cannot expend more money than it expects to receive in revenue in the course of a year and therefore the manner in which revenue is estimated is critical.

Revenue Policies are designed to inform the Mayor and Municipal Council of the projected amount of revenue the City will receive. This will facilitate an examination of the procedures used to estimate revenue as well as provide information to the public with regard to Taunton's revenue condition.

Revenue estimation will be conducted prudently in a conservative manner. Overly optimistic estimates can create the appearance of a balanced budget when in reality a deficit will result. According to Massachusetts State Law, any deficit that remains at the end of one fiscal year will be automatically deducted from the budget of the next; overly optimistic revenue estimates will drive reduced public spending in the next fiscal year. Underestimation of revenue can also present problems as it prevents revenue from being used to benefit the public in the year it was raised.

Many services provided by Taunton benefit all residents, though others benefit only the specific users of service (building inspections, water and sewer hook-ups, marriage licenses). Revenue Policy Three is designed to ensure that user fees change for specific services provided to individuals to cover the costs of providing those services. If fee revenue is insufficient to support these services, then the costs of these individual services will be paid by all taxpayers. The general tax payer will be forced to pay the cost of a plumbing inspection, for instance, that does not benefit them.

Revenue Policies will never be "upwardly volatile." In brief, upwardly volatile revenue occurs when one or more revenue sources increase at an atypically fast rate. The danger of upward revenue volatility is that a community can become dependent on an artificially high level of revenue that exists merely because of a strong economy. This revenue may decrease sharply or disappear entirely when the economy contracts, leaving critical services under funded if the upwardly volatile revenue was not used wisely. Limits of upwardly volatile revenue projections

will prevent Taunton from depending on unstable revenue while simultaneously strengthening Taunton's financial position. Use of this revenue to build reserve fund balances will help Taunton prepare for cyclical revenue contractions while strengthening our financial condition and giving us much-needed financial flexibility.

Revenue Policies ensure that Taunton continues to assess the value of property in Taunton as required by Massachusetts State Law and are critical to ensuring the fairness of our system of property taxation.

Capital Improvement Plan and Procedure

1. The Capital Improvement Plan will directly relate to the long-range plans and policies of the City.
2. The Chief Financial Officer will develop and propose a five-year Capital Improvement Plan that shall be proposed to the Mayor and presented to the Municipal Council. The first year of the Capital Improvement Plan shall include the proposed capital improvements for the current fiscal year.
3. The Capital Improvement Program templates will be distributed the first week of August each year and returned to the Finance Department no later than November 15th for review.
 - a. Requirements include a request form and prioritization of requests.
 - b. The Chief Financial Officer will determine and recommend to the Mayor and Municipal Council best sources and uses of funds.
4. Except as required by an emergency, all approved Capital Projects must be part of the adopted Capital Improvement Plan.
5. Any and all requests shall be recommended by the Mayor and approved by the Council.

Capital Policy states that the Capital Improvement Plan (CIP) must conform to the policies and long-term plans of the City. The Plan must be consistent with our financial plans – it cannot cause an unacceptably high level of debt to be incurred and should be something that strengthens and provides an overall benefit to the City.

The CIP must be a five-year plan that is updated annually and submitted to the Mayor and Municipal Council. The CIP is a "rolling plan" in that the first year of the plan is always the upcoming year, and years two through five represent the next four years. In this way the CIP always looks ahead four years, facilitating the planned and rational replacement, upgrade and acquisition of capital.

The CIP is a long-term document that will facilitate planning and improve the means by which capital investment decisions are made. Funding items that are not in the CIP will undermine the effectiveness of the CIP and will likely result in inefficiency – "why should I bother to plan if items can be funded without planning?". Capital investments can often be made in ways that are complementary to each other, reducing cost or inconvenience through proper sequencing. Funding capital projects that have not been approved through the capital improvement process will likely lead to inefficiency and will not be acceptable to the Finance Department.

The Chief Financial Officer will provide the full cost (principal and interest) of approved projects that require the issuance of debt. This analysis will help policy makers make decisions based on the total impact of a project on the community.

Financial Reserve / Stabilization Policies

1. The City shall maintain a minimum reserve fund balance of \$500,000 in the general fund during each of its budget cycle.
2. The City shall maintain the stabilization reserve fund of at least 3% of operating revenues and may not exceed 10% of its total operating budget, as prescribed by DOR best practices.
3. The City, with recommendation from the Mayor and Council approval, may establish special use stabilization funds for practical planning of future anticipated expenditures.
4. The Chief Financial Officer will recommend to the Mayor if a transfer from any reserve or stabilization account should be considered or is needed.

Financial reserves protect the City from unforeseen increases in expenditures, reductions in revenues, unforeseen downturns in the economy, or any other extraordinary events. Reserves are also a source of funding for capital construction and replacement projects. Reserves should normally average between 3% and 8% of the City's General Fund.

The maintenance of adequate operating reserves is essential to the financial strength and flexibility of the City as a whole. Adequate operating reserves are an integral part of the financial structure of the City and allow it to mitigate current and future financial risks associated with revenue shortfalls, unanticipated expenditures and natural disasters.

The Reserve Policy requires the maintenance of a Reserve fund balance of \$500,000. This will ensure sufficient cash flow to finance ongoing operations in the event of a downturn.

A requirement that at least 3% of the City's General Fund operating revenue be held in the Stabilization Reserve Fund is to provide long term financial stability for the City while improving our financial flexibility and credit worthiness. The legal structure for stabilization reserve funds is detailed in Chapter 40 §5B of Massachusetts General Law.

Debt Policies

Debt policies are intended to sustain or enhance the City's overall financial stability, to evaluate a government's long-term capability to issue and repay debt, and to control debt issuances. Strong debt policies that are followed by a community also improve credit worthiness by establishing controls on the amount of debt that can be issued as well as its impact. Improved bond ratings result in lower interest rates that generate savings for taxpayers.

1. The City shall comply with debt limitations as detailed in Massachusetts General Law.
2. The City shall manage the issuance of debt in line with the following debt ratios:
 - a. General Fund debt service as a percentage of net general fund revenues not to exceed 5%.
 - b. Percentage of Total Debt that will be retired at the end of ten years - 65% (minimum).
3. Short-term debt, such as bond anticipation notes, tax anticipation notes, or grant anticipation notes, may be used when it provides immediate financing and an interest rate advantage, or if there is an advantage to delaying long-term debt until market conditions are more favorable.
4. Any bond anticipation debt will be retired within twelve months after completion of the project it financed.
5. Short term debt will not be rolled over beyond two years without a principal pay down or as prescribed by state law.
6. The term of debt issued to finance capital improvements or procurements may not exceed the useful life of the asset or improvement.
7. The City shall conduct debt financing on a competitive basis unless for reasons of market volatility, unusual financing structure or a complex security structure, the City would be better served through a negotiated financing.

In brief, the City shall not issue debt with an aggregate principal value exceeding 5% of the equalized valuation of taxable property without prior approval from the Commonwealth. The City may issue debt with an aggregate principal balance of up to 10% of equalized valuation with approval of the Commonwealth.

The City of Taunton will have a Debt Policy with stricter standards for debt issuance and requires that outstanding debt conform to various ratios deemed appropriate for the City or for debt issuers in general. This provides a finer level of control than the overall debt ceiling authorized by Massachusetts General Law and ensures that our debt does not negatively impact our taxpayers even though its aggregate amount is in conformance with State Law.

The Debt Policy allows the City to issue short-term debt to meet immediate financing needs. The primary reason for this is issuing "bridge financing" for capital projects. This financing is often needed to conduct bond-backed capital projects and avoids the expense of the multiple bond issuances required without short-term borrowing. This policy also permits borrowing in anticipation of the receipt of awarded grants, cash flow purposes in anticipation of revenue and the temporary use of short term debt when it is preferable to the issuance of permanent financing.

Principal pay down is to occur on short-term debt carried for more than two years. Short-term debt generally only places an interest cost on a community (that is, no principal pay down is required). This policy is consistent with Internal Revenue Service rules regarding short term debt

and will help the City reduce the long-term cost of capital projects by paying down principal before long-term bonds are issued.

The term of debt issued to finance capital improvements or procurements may not exceed the useful life of the asset or improvement. This is consistent with best practices in municipal finance and prevents future taxpayers from paying for capital investments from which they are not benefiting.

The City shall conduct debt financing on a competitive basis unless for reasons of market volatility, unusual financing structure or a complex security structure the City would be better served through a negotiated financing. The sale of City debt is to be conducted in a competitive manner (that is, sold on the open market) unless there is an advantage to negotiating the sale with large investors. This policy provides flexibility to conduct negotiated sales in instances when it is preferable to do so (in complicated bond issuances and when unique circumstances surround a community and its credit quality).

Receipt and Turnover Policy

1. All cash, checks, or money orders are expected to be turned over in a timely manner.
2. No cash shall be left in any office for any period of time without being adequately secured.
3. Departments turning over cash receipts shall use financial software to enter the Schedule of Department Payments (SOP) and print three copies.
4. Two copies are brought to the Treasurer's Office.
5. One copy is delivered to the Auditor's Office.
6. Each schedule of Departmental payments (SOP) brought to the Treasurer shall be reviewed by the Treasurer/Collector's office. This review includes:
 - a) Machine count of cash, manual count of coin
 - b) Run a calculator tape on all checks and cash received
 - c) Assure each check is properly prepared and endorsed
 - d) Reject any checks with a date more than 60 days old
 - e) Compare the total cash and check to the total reported by the Department
 - f) Attach calculator and money machine tape to the SOP
 - g) SOPs turned over to the Treasurer's Office are run through the cash drawer daily

Once the SOP to the Treasurer has been verified, the Treasurer's Office will date stamp the form received and provide a signed and date-stamped receipt to the Department. Each Department shall provide the City Auditor with a Schedule of Departmental Payments to the Treasurer that has been signed by the appropriate manager.

The Treasurer/Collector shall enter all cash received from the Commonwealth of Massachusetts (electronically), tax title and other miscellaneous receipts into the City's financial software. The Treasurer/Collector shall notify Department Managers of money received. Department Managers will be responsible for notifying the Treasurer/Collector of specific account information.

The Collector's office shall receive all monies paid for Real Estate, Personal Property Tax, Motor Vehicle Excise, Water and Sewer Usage Fees, Betterments, Interest on Delinquencies, Municipal Liens, and other Miscellaneous Receipts. The Collector shall prepare deposits daily and enter all cash received into the City's financial software.

A cash book is maintained in Excel, tracking cash received by day and by bank account. The daily totals are reconciled to the financial system, and a computerized report to the Auditor is generated.

The Treasurer's Office exports daily cash from the software and creates a packet for posting to the general ledger.

Summary reports are approved by the Treasurer's Office personnel and presented to the Auditor's Office. Copies of all turnover sheets provided to the Auditor shall be used for review and reconciliation of data entry.

The City Auditor shall post cash receipts from the financial software into the general ledger system. The Treasurer/Collector shall provide necessary documentation to facilitate this process.

All original cash receipts and backup documents shall be kept on file until completion of an audit and/or records are no longer required.

All cash receipt reports shall be stored by date in chronological order.

All cash paying customers should be given a cash receipt. These cash receipts should be pre-numbered in a bound book, if an existing procedure is not already in place and approved by the Treasurer's Office or through use of a log that identifies name, address, cash amount, date and # of item provided (sticker, permit, etc.)

All checks should be made payable to the 'City of Taunton' and must be endorsed with a deposit stamp provided by the Treasurer's Office which states "City of Taunton for Deposit Only" and indicates the receiving Department at the time of receipt.

All cash and checks received should be kept in a locked and secured area. At the end of the day, cash must be secured in one of the vaults if it cannot be deposited. The cash should be counted by the responsible Department before being left in the vault and recounted when it is picked up the next day.

All Departments should report and turn in all receipts collected by their Department daily, in the case of Departments handling large amounts of money, or not less frequently than weekly. A Schedule of Departmental Receipts to the Treasurer must be submitted in person to the Treasurer/Collector's Office with cash and checks and a copy must also be submitted to the Accounting Department. Any Department which receives \$100 or more in cash must turn over those funds to the Treasurer's Office on the same day.

Whenever a new type of receipt is collected, a general ledger account number must be obtained from the City Accountant.

Whenever there is cash in a deposit, the Department must have one signature from the Department turning money over to the Treasurer's Office as well as one signature from an employee from the Treasurer's Office.

The Receipt and Turnover Policy is designed to establish a standard policy on how cash is treated throughout City Departments.

All cash is handled and accounted for the same way and can be traced in a consistent manner.

OPEB / Investment Policy and Guidelines

OPEB funds are long-term investments. Given a stated discount rate target, this long-term approach enables Taunton to invest in long-term assets, such as equities, which tend to have high returns over many years but whose price volatility precludes their use by those with shorter time horizons. By keeping a long-term focus in mind at all times, we hope to weather the periodic bad times.

The Finance Department expects this long-term view to provide better results than will be earned by those who pick short term investments or who liquidate securities during turbulent times. We also expect that equities will serve as a hedge against eroding trust fund values due to long-term inflationary trends.

The City will transfer a minimum of 70% of current Pension Fund allocations directly to its OPEB trust in perpetuity once the Pension Obligation is satisfied. This equates to 13.3 Million dollars based on current allocations

The City will further make efforts to reduce other employee benefit cost by transitioning from a 75-25 health insurance coverage split to a more practical 60-40 split in the coming years

M.G.L. Chapter 203C §1, known as the Massachusetts Prudent Investor Act, states that a trustee shall invest and manage trust assets as a prudent investor would, considering the purposes, terms and other circumstances of the trust, including those set forth in subsection c. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. A trustee's investment and management decisions respecting individual assets shall be considered in the context of the trust portfolio as a part of an overall investment strategy reasonably suited to the trust.

Among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries:

- 1) General economic conditions;
- 2) The possible effect of inflation or deflation;
- 3) The expected tax consequences of investment decisions or strategies;
- 4) The role that each investment or course of action plays within the overall trust portfolio;
- 5) The expected total return from income and appreciation of capital;
- 6) Other resources of the beneficiaries;
- 7) Needs for liquidity, regularity of income, and preservation or appreciation of capital; and
- 8) An asset's special relationship or special value, if any, to the purposes of the trust or to one of the beneficiaries.

A trustee shall make reasonable efforts to verify facts relevant to the investment and management of trust assets. A trustee may invest in any kind of property or type of investment consistent with the standards of this chapter. A trustee, who has special skills or expertise, shall have a duty to use such special skills or expertise.

A trustee shall reasonably diversify the investments of the trust unless, under the circumstances,

it is prudent not to do so.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Investment Manager or Treasurer will purchase investment grade securities with a high concentration in securities rated A, or better at time of purchase.

Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. There will be no limit to the amount of United States Treasury and United States Government Agency obligations.

Custodial Risk:

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The Treasurer will engage only those institutions with proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a City's investment in a single issuer. The Investment Manager will diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Investment Manager will manage interest rate risk by managing duration in the account.

Standards of Care:

The standard of prudence to be used shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Equity:

The equity portion of the portfolio should consist of a diversified mix of investments (individual equities, mutual funds and exchange-traded funds) suitable to achieve the objective of capital appreciation. Individual equity holdings in any one company should not exceed 5% of the market value of the portfolio.

No funds may be invested in direct real estate, private placements or letter stock. The Investment Manager shall not engage in margin transactions, short sales or any other such specialized investment vehicles. The manager of a specific mutual fund and exchange-traded fund, however, may engage in short sales as part of an overall investment strategy.

Fixed Income:

Investments in fixed income securities will be made principally for income and capital preservation. Selection should be made from liquid, investment grade corporate debt, convertible debt and obligations of the United States Government and its agencies. Lower-quality investments may only be held through diversified vehicles such as mutual funds or exchange-traded funds.

Securities:

Will not exceed 5% of the portfolio market value and no more than 20% of the portfolio's total market value will be invested in convertible securities. Individual corporate debt and preferred stock issues must be rated BBB or better, at the time of purchase, as defined by Moody's and/or Standard & Poor's Rating Agency.

There shall be no investments in fixed income or interest rate futures, and no engagement in any other specialized fixed income ventures. The manager of a specific mutual fund and exchange-traded fund, however, may engage in fixed income and interest rate futures as part of an overall investment strategy.

Diversification:

The City should interpret this in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities, as well as concentration in a specific institution with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies.

Performance Measurement and Evaluation:

The Treasurer will meet with the Investment Manager at least annually to monitor the performance of the Fund and the compliance with these guidelines.

The Fund's performance will be measured by comparison with the stated objectives in comparison to respective benchmarks. To monitor the intermediate term performance of the Fund, the Treasurer will compare the Investment Manager's results to a blended benchmark to be determined in conjunction with the Investment Manager.

Rebalancing of the portfolio should happen at least annually or more frequently if appropriate.

Creating an investment policy is the most critical phase of the entire investment process. The effects of a properly drafted vs. ineffective investment policy statement can be more important than the effects of good or poor investment management. To be successful, an investment policy needs to be appropriate for its setting and intended purpose. Under Government Accounting Standard Board rules, the discount rate should be the long-term expected yield on the investments to be used to pay benefits as they come due. These would be plan investments for a funded plan or a weighted average of expected plan and employer investments for a plan that is partially funded. Investments within an OPEB Trust will closely approximate pension fund-type investment securities. The policy statement is also designed to withstand "trustee risk" - the possibility that, at some stress point (most frequently an extreme decline in the stock or bond markets), those who oversee the funds may react in a manner detrimental to the long-term health of the Trust Fund.

Credit Card Policy:

1. Use of a credit card is not intended to circumvent the normal payable process.
 - a. Use of a credit card is for necessity not convenience.
2. No alcohol may be purchased under any circumstances.
3. No tobacco or marijuana may be purchased with the City's Credit Card.
4. No personal items may be purchased with the City's Credit Card.
5. Any unauthorized or personal purchases will be paid back by the offender.
 - a. Any such activity could lead to disciplinary action, from loss of card privileges up to termination.
6. An itemized receipt must be received for each purchase.
 - a. The receipts shall be reconciled to account statement at period end.
 - b. If receipt is missing or unattainable, the Cardholder must repay the expense in full with a money order or cashier's check.
7. Credit Card bills are to be paid monthly, with payment voucher submitted to Auditor's Office no later than 15 days after close of period.
 - a. Voucher shall include all receipts and account statement (along with all other required voucher components).
8. Any interest or late fees generated from late submission of vouchers shall become the responsibility of the cardholder to pay.
9. Treasurer and City Auditor will reconcile the credit cards accounts on a monthly basis to ensure accuracy and to identify any potential fraud.
10. Guidelines for Travel expenses will follow those established in City Ordinance 105-4.
11. Cardholders may use credit cards for hotel expenses.
12. Cardholders may use credit cards for airline purchases related to traveling on City business.
13. While on City-related travel, taxi services are covered as a business-related expense.
14. Parking is a covered business-related expense.

15. Cardholders may use credit cards for conference registrations.
16. Cardholders must use the City's ST-2 form to avoid paying sales tax.
 - a. If MA sales tax is paid on a receipt, the Cardholder must reimburse the credit card account that tax amount.
 - b. The following taxes are allowable: Hotel taxes, Airline-related taxes, Meals Tax, Local Tax, and Out of State tax.

Accounts Payable:

Risk Assessment:

The Auditor's Office has multiple procedures in place to ensure all cash disbursements are approved and entered into the system.

The Process for Cash Disbursements:

The cash disbursement process is a multiple step process. There are slight differences when the procurement is for the School Department versus the City itself. Most of the difference is due to who signs off on the purchases. The following is a generalization noting differences between the two Departments when necessary. The flow includes the following steps:

1. Originating Department submits purchase requisition
2. Mayor's Office approves purchase
3. City Auditor reviews
4. Treasurer's Office issues checks

Step 1: Originating Department

When a purchase of goods or services is required in any Department in the City, a requisition must be generated. This requisition is created in the Department requesting the item. The requisition is filled out and signed by the Department Manager. Prices and quotes (if necessary) must be included on the requisition.

Step 2: Authorized by Budget Director and Entered into the System

Most requisitions are entered into the system and purchase orders are approved and generated by the Mayor's Office. If the purchase order is a blanket, it is entered in the system and monitored by the originating Department and Mayor's Office remaining open until all funds are depleted or the Department requests to close the PO. All purchase orders require the Department Manager's signature and the Budget Director's approval.

Step 3: Review by City Auditor

Once the Department receives the approved purchase order from Budget Director, they send the purchase order with a voucher and invoice to Auditor's Office. Upon receipt of the voucher, the City's Auditor Department will review (along with any accompanying documentation such as quote sheets, bids, requisitions, etc.) to determine if the purchase is allowed under state law or City ordinance. Part of this examination will be to review the general ledger to ensure the requesting Department has the funds available to make the purchase. If there are questions or concerns, the Auditor's Office will return the voucher to the Department for more information or clarification. If there are no questions, one of the Auditor's clerks will enter the invoice into the Softright system. Batch totals from invoices are compared to invoices entered into the system. Once everything matches, the warrants are generated by the Auditor's Office on Tuesdays of every week.

The accounting department retains a copy of the full warrants.

Step 4: Treasurer's Office

Once warrants are signed by City Council and City Auditor, they are sent over to the Treasurer's Office for checks to be issued. The Treasurer's Office enters warrant payable into the system and matches the check total to the warrant to ensure there are no discrepancies. If there are no issues, checks are generated and mailed out for payment.

Procurement Office

All City Contracts and Service Contracts will be sent to the Chief Procurement Officer for review and approval prior to the Mayor signing.

1. Attached is the new Goods and Services boiler plate for all contracts.
 - a) The Procurement Department will modify the boiler plate to have the correct language for each Goods & Services that are procured.
2. If the Goods and Services needed are in a State contract, the State contract number must be provided.
 - a) Massachusetts State contracts may require three written quotes and/or additional requirements in order to be in compliance with Massachusetts Procurement Laws.
 - b) The Chief Procurement Officer will also compare pricing with cooperative agreements that the City is part of to determine best pricing.

All solicitation of quotes for Construction, Goods, and Services from \$1,000 to \$50,000 requires written quotes from at least three vendors who customarily provide the item or service needed.

1. Attached is a quote form that must be completely filled out and sent via email with an attached copy of the quote solicitations to the Chief Procurement Officer at rcalderon@taunton-ma.gov.

All purchase orders will be reviewed and approved by the Chief Procurement Officer to ensure expenditures are in compliance with Departmental budgets to eliminate overspending.

Prior to going out to bid for Invitation for Bid (IFB), Request for Proposals (RFP), & Request for Qualifications (RFQ), all relevant documents must be submitted in a PDF form to the Chief Procurement Officer.

1. The Chief Procurement Officer will issue a bid number and the bid number will convert into the contract number. The bid number sequence is as follows:
 - a) The first two digits are the Fiscal Year.
 - b) The next three digits are the Department number.
 - c) The last two digits are numbered sequentially.
2. The Chief Procurement Officer will issue a Procurement calendar and send for approval to each Department Director.
 - a) Attached is an example of the Procurement calendar.
3. Once the Department Director approves the Procurement calendar, the Procurement Department will advertise in the respective State division and local advertisement:
 - a) Goods & Services Bulletin

- b) Central Register
- c) COMMBUYS
- d) Taunton Daily Gazette
- e) Post on the City Website
- f) City Hall Bulletin (1st floor)

All Invitation for Bids (Sealed Bids) will be opened and read out loud in the Taunton City Hall by the Chief Procurement Officer and/or designee from the Procurement Department.

All Request for Proposals & Request for Qualifications (Sealed Proposals) will be opened by the Chief Procurement Officer.

1. The Chief Procurement Officer will establish all Evaluation Committees for all proposals (RFPs & RFQs) prior to going out for bid.

The address for all Sealed Bids & Proposals is: City of Taunton, Procurement Department, 15 Summer Street, Room 302, Taunton, MA 02780.

Best practices governing the expenditure of publicly derived funds must be designed to ensure compliance with state/federal laws. When procuring supplies and services, it is important to understand the principles that govern purchasing in Massachusetts. Additionally, all City Departments need to be mindful of the fact that public purchasing objectives aim to obtain supplies/materials and services at the "best price" reasonably available through "open" and "fair" competition.

All non-construction supplies/materials and services are governed by M.G.L. Chapter 30(b). Subject to the approval of the Chief Financial Officer and Chief Procurement Officer, Department Managers are given authorization to secure supplies/services necessary to perform operational functions.

Surplus

The purpose of this policy is to provide all City Departments guidance on the proper disposition of surplus City property.

City Departments should periodically review their inventory for unwanted or obsolete property such as office furniture, electronics, equipment, etc. Upon identification, items should be reported to the Chief Procurement Officer for redistribution, sale, or disposal.

Surplus Property is defined as City property to be disposed, traded-in, cannibalized, externally donated or transferred, returned to vendor. No item of property, whether purchased with City funds or otherwise acquired, may be surplus without the prior written approval of the Chief Procurement Officer. Sales of equipment between Departments are prohibited.

To support and promote sustainability, the City has established disposal websites managed by the Procurement Department. Department Managers are responsible for inventory control and disposal of surplus property.

Policy Statement

Property and materials that are purchased with City funds or with grant funds, donated to the City, or acquired for the City through other means, are the property of the City of Taunton and do not belong to specific individuals. The City will dispose of its surplus property in an environmentally and fiscally responsible manner in accordance with local, state and federal regulations.

All questions regarding disposal of surplus property should be directed to:

Richard Calderon, Chief Procurement Officer, ext 1195, rcalderon@taunton-ma.gov.

Definitions

Responsible Department: The Procurement Department controls and manages the use of the surplus property or materials on behalf of the City.

Surplus Property: Any equipment, furniture, scrap or salvaged materials or other tangible property that is no longer needed by the Responsible Department, regardless of its existing condition or estimated value.

City Property: Any property or materials purchased with City funds or with sponsored funds, donated to the City or acquired for the City through other means.

Vehicles: The disposal of motor vehicles is the responsibility of the Procurement Department in cooperation with City Departments.

Responsibilities

City Departments:

- Accurately reflect property inventory by disposing of surplus property according to City policy and related procedures.
- Complete the declaration surplus disposition form, with Department Manager approval and submit to rcalderon@taunton-ma.gov (Chief Procurement Officer) prior to any action. The declaration surplus disposition form is required for all equipment (regardless of value).
- For Surplus Property that does not have a tag (regardless of value), Responsible Department must keep records of proper disposition. Such records should include information sufficient to document proper disposal and/or transfer.
- Equipment should not be moved to hallways, stairwells, loading docks or other areas that are not secured by the Department. This should help maintain safe fire egress paths and prevent improper handling or movement of equipment prior to completion of a hazard assessment and decontamination.
- Upon the Procurement Department approval, the Procurement Department will execute a service request with the Department of Public Works and Buildings for final disposition or transfer of equipment of office furniture.
- Maintain copy of completed documents for Department records.

Department of Public Works and Buildings

- The Department of Public Works and Buildings shall only move for disposal, sale, and/or transfer of surplus property after the approval of the Chief Procurement Officer. This should prevent equipment that contains hazardous materials (e.g., oil) from being placed in a dumpster.
- Pick up surplus property from Departments and ensure proper disposal, sale and/or transfer.
- Will properly segregate metals recycling and e-waste (used electronics) recycling.
- Facilitate pickup of donated items and ensure delivery to proper location.
- Provides documentation of removal as indicated on surplus form to the Procurement Department.
- When surplus is managed as part of a Department of Public Works and Buildings Project, the Project Manager or designee must ensure that the surplus policy is followed. The process will commence during the project planning phase and be coordinated within the overall project schedule and account for all cost within the project budget. During the planning phase the list of unwanted furnishings will be developed and reviewed for possible reuse on other projects and/or City departments. If furnishings are identified for reuse on another project and/or City Department and need to be temporarily stored to accommodate project schedules, the planner

or Project Manager will seek approval from the Commissioner of Public Works or Superintendent of Public Buildings, or a person having similar authority. Items designated for reuse will be transferred in accordance with the surplus policy. For furnishings that are broken, unusable or at the end of useful life and designated for trash, the Department of Public Works and Buildings will notify the Procurement Department for approval for removal of disposal surplus property.

Procedures

In order to properly dispose of City property that is not being transferred or donated, a Declaration of Surplus Property Disposition form must be completed and approved by the Chief Procurement Officer. For equipment, computers, furniture, scrap or salvaged materials, the Responsible Department must indicate the location and description of the item on this form.

Computer Equipment and Used Electronics (Universal Waste)

Computers, including monitors, CRTs, CPUs, and related components, contain toxic elements such as lead, cadmium, and other heavy metals that are harmful to the environment when improperly disposed. Used electronics must be properly disposed of and include but are not limited to:

- Desktop and Laptop Computers
- Computer Peripherals
- Computer Monitors
- Copying Machines
- Scanners
- Printers
- Radios
- Televisions
- Camcorders
- Digital cameras
- Digital Picture Frames
- Video cassette recorders ("VCR's")
- Compact Disc ("CD") players
- Digital Video Disc ("DVD") Players
- MP3 players
- Video Game Consoles
- Portable Global Positioning System ("GPS") navigation units
- Telephones, including cellular and portable phones
- Stereos
- Shredders

Similar computer or electronic related devices once part of a larger piece of equipment that have been detached, removed or unplugged also require recycling as Universal Waste.

Computers that were purchased with City funds or grant funds, donated to the City of Taunton, or acquired for the City through other means are the property of the City and do not belong to specific individuals. The City must manage surplus computers and electronics in an environmentally responsible and fiscally responsible manner that ensures safeguarding of sensitive data and licensed software.

Used computers contain stored data and licensed software that are at risk of unauthorized use. These risks are related to potential violation of software license agreements; unauthorized release of personal information; and inadvertent release of login and password combinations, financial information, and computers and used electronics are prohibited from disposal as solid waste in landfills and as scrap metal in conventional recycling programs.

Contract Signatory Standard Operational Procedure:

The Purpose of this Policy is to ensure all contracts are properly reviewed, funded, and authorized. The Procurement Department has created a signature process to ensure consistency.

Once the Invitation for Bids, Request for Proposals, Request for Qualifications, & Request for Quotes have been reviewed by the Procurement Department and then approved by the Department Manager, the Procurement Department will send an award letter along with copies of the contract for signatures.

The contract signature process is as follows:

1. The Procurement Department will mail the contract along with an award letter to the vendor/contractor to review the specifications, all terms & conditions, and then sign the contract.
 - The vendor/contractor will mail back the contract to the Procurement Department, 15 Summer St, Room 302, Taunton, MA 02780.
2. The Procurement Department will forward the contract to the respective Department Manager to review the contract and confirm the contract meets the specifications.
 - The Department Manager will send back the contract to the Procurement Department.
3. The Chief Procurement Officer will review the contract to attest all Procurement laws were followed and the contract is in compliance with the Procurement Massachusetts General Laws and sign.
 - The Procurement Department will send the contract Law Department.

Once the City integrates to MUNIS, the Procurement Department will enter all contracts into MUNIS.

4. The Law Department will review for all forms of legality and then sign the contract.
 - The Law Department will bring back the contract to the Procurement Department.
5. The Procurement Department will bring the contract to the City Auditor.
 - The City Auditor will review the contract, certify funds are available, then sign and return the contract to the Procurement Department.
6. The Procurement Department will send the contract to the Chief Financial Officer.
 - The Chief Financial Officer will review the contract and certify the funds are appropriated to the respective Funds (CIP, ARPA, Budget procurement)
 - The CFO will send back the contract to the Procurement Department.

7. The Procurement Department will bring the contract to the Mayor.

- The Mayor will review the contract and attest all Authorized signatories have reviewed the contract and then sign.

Once the Mayor signs, the contract is fully executed.

Executed copies will be sent to the City Clerk (Record Keeper), Department Manager, City Auditor, The Procurement Department will keep a copy.

The Procurement Department will mail the vendor/contractor a copy of the contract along with a “notice to proceed letter” signed by the Chief Procurement Officer.

Future Financial Policies:

These policies set forth an overall architecture for financial operations in the City of Taunton. They are transmitted with the assumption that the City will continue to convene with its Finance Team meetings and continuously inform both the Mayor and Municipal Council. Many other policies can be developed. Developing additional policies can be of significant benefit to our government because they will codify the best practices under which we seek to operate. An important piece to consider in closing is that these policies are designed to be adapted from time to time and will be examined and presented to the Mayor for consideration.

Future Financial Policy Work in Progress

Board of Assessors Proposed Policy on Tax Increment Financing (TIF) and Tax Increment Exemptions (TIE)

TIF is authorized by M.G.L. c.40§59 and its implementing regulations 760 CMR 22.01. Under this legislation, landowners may be granted property tax exemptions of up to 100% of the tax increment. A municipality may enter into a TIF Agreement with a landowner for a maximum term of 20 years. M.G.L. c.40§60 also authorizes TIFs for housing in urban centers. A city or town must initiate a TIF by a vote of its governing body approving the TIF Plan, which must include:

- Designation of the area that will be the TIF zone
- Description in detail, including plans and specifications where appropriate, of all construction and construction related activity
- Projection of public and private costs and a betterment schedule for the defrayal of public costs
- Authorization of a tax increment exemption from property taxes
- Establishment of a maximum percentage of costs of public construction that can be recovered through betterments or special assessments against any parcel in the TIF zone eligible for exemptions
- Delegation of authority to enter into development agreements to one municipal agency, board or officer
- Identification of property owners in the TIF Zone
- Executed Agreements between the city or town and each owner of property within the TIF zone
- Data demonstrating that the TIF Zone is located so as to maximize the likelihood of a net economic benefit to the municipality, such as land use information, proximity of mass transit services and tenants within the zone.

A TIF/TIE Zone must be in an area approved by the EACC as an Economic Opportunity Area (EOA) or found to be an area "presenting exceptional opportunities for economic development" by the Director of Economic Development. Certification of the TIF/TIE Plan is issued by the Economic Assistance Coordinating Council (EACC) after the plan is accepted by municipal vote. The following policy guidelines are a starting point, adaptable per conditions in each case:

- Ten year TIFs are preferred and this span should be to a maximum of fifteen years.
- 50% should be the maximum increment, if necessary for more than one year
- The Taxpayer must waive filing for tax abatements during the term of the TIF
- TIFs should not include Personal Property, Real Estate only.