



**CITY OF SOUTH PASADENA  
FINANCE COMMISSION  
SPECIAL MEETING AGENDA**

**HYBRID MEETING  
Meeting ID: 886 8895 7427  
Password: Finance  
April 28, 2022, at 7:00 pm.**

**CALL TO ORDER:** Commission Chair Elsner

**ROLL CALL:** Commissioners Findley and Tao  
and City Treasurer Pia

**COUNCIL LIAISON:** Council Member, Jack Donovan

**STAFF PRESENT:** Interim Finance Director, Ken Louie

**NOTICE OF PUBLIC PARTICIPATION AND ACCESSIBILITY**

Pursuant to Government Code Section 54953, subdivision (e) (3), the Finance Commission may conduct its meetings in a hybrid manner, via video conference or in-person. The Finance Commission may allow public participation to continue via live public comment conducted over ZOOM or In-person.

The Meeting will be available –

- In Person: 1424 Mission Street, South Pasadena, CA 91030
- Via web link: [www.southpasadenaca.gov/financecommission](http://www.southpasadenaca.gov/financecommission)

If you would like to comment on an agenda item, or make a general public comment, members of the public may submit their comments for Finance Commission’s consideration by one of the following options:

**Option 1:** Participate in-person at the City Council Chambers.

**Option 2:** Participants will be able to “raise their hand” using the Zoom icon during the meeting, and they will have their microphone un-muted during comment portions of the agenda to speak.

**Option 3:** Email your public comment(s) to [fcpubliccomment@southpasadenaca.gov](mailto:fcpubliccomment@southpasadenaca.gov)

Public Comments must be received by 6 p.m., April 27th, 2022 to ensure adequate time to compile and post. Public Comment portion of the email is limited to 150 words. Please make sure to indicate: 1) your name; 2) what agenda item you are submitting public comment on, or if it is a general public comment.

**ACTION/DISCUSSION**

**1. Review of the Finance Department Policies and Procedures**

- *Presentation by Management Partners*

**ADJOURNMENT**

**FUTURE FINANCE COMMISSION MEETINGS**


May 26, 2022

Hybrid

**PUBLIC ACCESS TO AGENDA DOCUMENTS**

Prior to meetings, agenda related documents are available for public inspection at, City Hall, 1414 Mission Street, South Pasadena, CA 91030. The complete agenda packet may also be viewed on the City’s website at: [www.southpasadenaca.gov/financecommission](http://www.southpasadenaca.gov/financecommission)

**ACCOMMODATIONS**

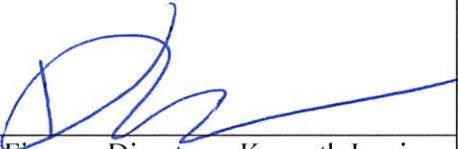


The City of South Pasadena wishes to make all of its public meetings accessible to the public. Meeting facilities are accessible to persons with disabilities. If special assistance is needed to participate in this meeting, please contact the City Clerk's Division at (626) 403-7230. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities. Hearing assistive devices are available in the Council Chamber. Notification at least 48 hours prior to the meeting will assist staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting (28 CFR 35.102-35.104 ADA Title II).

*I declare under penalty of perjury that I posted this notice of agenda on the bulletin board in the courtyard of City Hall at 1414 Mission Street, South Pasadena, CA 91030, and on the City’s website as required by law.*

4/25/22

Date

  
Interim Finance Director – Kenneth Louie



# Finance Commission Agenda Report

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**DATE:** April 28, 2022  
**FROM:** Ken Louie, Interim Finance Director  
**SUBJECT:** **Approval of Policies and Procedures**

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## **Recommendation**

It is recommended that the Finance Commission review and approve the updated Financial Policies and Procedures.

## **Background**

The City of South Pasadena has perennially received audit findings with regards to the lack of financial policies and procedures. Earlier in the fiscal year, the City, through the approval of the Finance Commission and City Council, secured the services of Management Partners to perform an independent analysis of the Finance Department's workflow/activity and provide recommended/updated policies for the following processes: General Accounting, Payroll, Accounts Receivable, Accounts Payable, Purchasing and Water Billing . These policies either do not currently exist or have not been updated since 1987.

## **Discussion/Analysis**

Over the past few months, Management Partners has held a multitude of meetings with staff to go over the current workflow/activity and ascertain what the most appropriate policies and procedures should be given the City's logistics and staffing. The recommended policies in their entirety are attached to this report. Below is a list of any highlights and/or changes recommended to each policy:

### General Accounting – New

The policy highlights the practice of complying with the Generally Accepted Accounting Principles (GAAP) established by the Government Accounting Standard Boards (GASB). The policy emphasizes the setup of the chart of accounts, maintaining the accounting software, preparation and review of journal entries, financial reporting, bank reconciliation, budget adjustment, and closing procedures.

Payroll - New

This is a new policy which details functions between Human Resources and Payroll and ensures segregation of duties between the two departments. The policy details the onboarding and payroll processes as well as the termination process and touches upon all the functions of the payroll procedures and identifies positions responsible for these functions. The policy also ensures that the processes are in line with state and federal regulations.

Accounts Receivable - New

The objective of this policy is to ensure accountability of all city funds being received from various outlets. For example, the city receives funds via check, cash, credit card and ACH/Wire transfers. This section also details the process for cash handling procedures and controls.

Accounts Payable - New

The objective of this policy is to establish set practices and guidelines for Accounts Payable. This policy covers such areas as new vendor setup, purchase orders, invoice processing, purchasing policy compliance, void and stop payments, and ACH payments.

Purchasing – Update/Last Revision 1997 and 2001

The purchasing policy was drafted in order to establish efficient procedures for the purchase of goods and services, exercise positive control over purchases, clearly define authority for the purchasing function, and assure the quality of purchases. This policy also makes a revision to the current purchasing thresholds that were established in 1997 (Ordinance No. 2048), revised in 2001 (Ordinance No. 2096), and amended to establish regulations for public contracts in 2016 (Ordinance No. 2299). The proposed purchasing threshold revision seeks to bring the City of South Pasadena in line with other local cities and agencies of our size and stature.

### Current Competitive Bidding and Contract Award Thresholds

Purchase Category	Purchasing Thresholds	Solicitation Method	Award Authority
<b>Goods and/or General Services</b>	Up to \$500	Quotes Optional	Department Director
	\$500 to \$10,000	Three Written Quotations	Department Director
	\$10,000 to \$25,000	Three Written Quotations	Purchasing Agent & City Manager
	Greater than \$25,000	Formal Contract Authorized by City Council	City Council Approval
<b>Professional Services</b>	Up to \$25,000	Exempt from Bidding, Quotes Encouraged	City Manager
	Greater than \$25,000	Exempt from Bidding, Quotes Encouraged	City Council
<b>Public Works Projects</b>	Up to \$25,000	CUPCCAA, Public Contract Code sections 22000 et seq.	City Manager
	Greater than \$25,000		City Council

*Municipal Code Section 2.99-4(a) designates the Director of Finance as the purchasing agent. The term Director of Finance and Purchasing Agent shall be used interchangeably in these policies and procedures.*

### Proposed Competitive Bidding and Contract Award Thresholds

Purchase Category	Revised Purchasing Thresholds	Solicitation Method	Award Authority
<b>Goods and/or General Services</b>	Up to \$2,500	Quotes Optional	Department Director
	\$2,501 to \$25,000	Three Written Quotations	Purchasing Agent
	\$25,001 to \$50,000	Three Written Quotations	City Manager
	Greater than \$50,000	Formal Contract Authorized by City Council (Sealed Bidding)	City Council Approval
<b>Professional Services</b>	Up to \$50,000	Exempt from Bidding, Quotes Encouraged	City Manager
	Greater than \$50,000	Exempt from Bidding, Quotes Encouraged	City Council
<b>Public Works Projects</b>	Up to \$50,000	CUPCCAA, Public Contract Code sections 22000 et seq.	City Manager
	Greater than \$50,000		City Council

*CUPCCAA (California Uniform Construction Cost Accounting Act) provides for alternative bidding procedures when an agency performs public project work by contract.*

*Note: Competitive bidding and contract award thresholds are periodically adjusted with Finance Director approval to account for changes in economic conditions. Changes to the competitive bidding and contract award thresholds must be reviewed and approved by the Finance Commission.*

#### Local Cities Survey

A local survey was taken to determine current parameters local cities have in place. One can note that the two most recent updates (below) have considerably higher formal bidding limits. These updates were done prior to the significant inflationary environment.

**City of Arcadia (Ord No 2379 Est 2021)**

Purchasing Threshold Amounts	Category: Goods and Products
0-5,000.00	Over the Counter
5,000.01-30,000.00	Informal Bidding
30,000.00+	Formal Bidding & City Council Approval
Purchasing Threshold Amounts	Category: Professional Services
0-5,000.00	Over the Counter
5,000.01-30,000.00	Formal Bidding
30,000.00+	Formal Bidding & City Council Approval
Local Vendor Preference	Local vendor preference: price and terms must be equal to external vendors

**City of San Marino (Ord O-20-1366 Est 2020)**

Purchasing Threshold Amounts	Category: Goods and Services
0-1,000	Over the Counter
1,000.01-30,000.00	Informal Bidding
30,000.01+	Formal Bidding & City Council Approval
Purchasing Threshold Amounts	Category: Professional Services
0-1,000	Over the Counter
1,000.01-30,000.00	Informal Bidding
30,000.01+	Formal Bidding & City Council Approval

**City of San Gabriel (Ord 657 Est 2019)**

Purchasing Threshold Amounts	Category: Goods and Products
0-3,000.00	Over the Counter
3,000.01-15,000.00	Informal Bidding
15,000.01+	Formal Bidding & City Council Approval
Purchasing Threshold Amounts	Category: Professional Services
0-15,000.00	Informal Bidding
15,000.01+	Formal Bidding & City Council Approval
Local Vendor Preference	Local Vendor Preference based on Sales Tax Returned to City

**City of Sierra Madre (Ord 1392 Est 2017)**

Purchasing Threshold Amounts	Category: Goods and Products
0-2,000.00	Over the Counter
2,000.01-5,000.00	Informal Bidding
5,000.01-45,000.00	Formal Bidding
45,000.01+	Formal Bidding & City Council Approval
Purchasing Threshold Amounts	Category: Professional Services
0-2,000.00	Over the Counter
2,000.01-5,000.00	Informal Bidding
5,000.01-45,000.00	Formal Bidding
45,000.01+	Formal Bidding & City Council Approval

Water Billing - New

This section establishes best practices for billing and collection procedures for water and sewer utility billing. Giving staff and contracted services clarity on standard operations. All billing rates are still subject to resolutions approved by the City council.

Conclusion

The adoption of these policies will ensure standardization across the organization, finite rules, conformity and better internal control. The adoption will also assist the City in obtaining a more appropriate audit grading and removal of the annual finding.

**Fiscal Impact**

No direct fiscal impact but great improvement in internal control and financial reporting grade..

**Public Notification of Agenda Item**

The public was made aware that this item was to be considered this evening by virtue of its inclusion on the legally publicly noticed agenda, posting of the same agenda and reports on the City's website.

Attachments: Policies and Procedures, Management Partners Power Point



# South Pasadena Finance Policies and Procedures Manual



City of  
**SOUTH  
PASADENA**

Adopted: ██████████

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## INTRODUCTION

### A. Overview

The City of South Pasadena Finance Department's Policies and Procedures Manual (manual) is designed to provide guidance to stakeholders involved in the City's financial processes and transactions. Its purpose is to ensure that assets are safeguarded, transactions are conducted in accordance with established laws, policies and best practices, and duties are appropriately segregated. The manual also seeks to ensure that financial statements are prepared in conformity with generally accepted government accounting principles (GAAP), and that finances are managed with responsible stewardship. This manual is also intended to formalize accounting policies and selected procedures for the accounting staff and to document internal controls.

In approving the policies associated within this manual, the City Council establishes the authorities, responsibilities, and accountability requirements of those participating in the operations of South Pasadena City government to:

- Set forth principles for fiscal stewardship,
- Maintain appropriate financial capacity for present and future levels of service,
- Ensure the legal use of financial resources through an effective system of internal controls, and
- Provide financial transparency to the public.

The City of South Pasadena is accountable to its residents for the prudent use of public dollars. Municipal financial resources must be wisely used to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs. These policies safeguard the fiscal stability required to achieve the City's goals and objectives.

Although the goal is to provide employees with a comprehensive reference tool for complying with the City's financial policies and procedures, this document is meant to augment, not supersede South Pasadena's Municipal Code requirements or state and federal laws that may be referenced herein. Any such references should be reviewed in conjunction with the manual. The manual is intended to be easily read and provide useful, up-to-date information on a broad range of financial topics. It has been prepared electronically in a PDF format and placed on the City's Intranet for access and to accommodate changes that will occur over time.

### ***Organization of the Manual***

This manual contains the following sections:

- Finance Staff Positions,
- Purchasing,
- Accounts Payable,
- Utility Billing Operations,
- Accounts Receivable,
- Payroll,
- Fixed Assets,
- Investments and Debt Management, and
- Governmental Accounting and General Ledger Maintenance.

Each section begins with an overview that provides context, a general description of the financial topic, and an objective statement to describe the purpose of the policy and associated procedures.

This is followed by a list of the Finance Department classifications functionally responsible for the policies and procedures in the section.

### ***Acknowledgement of Manual Content***

Upon recommendation from the Finance Commission, the contents of this manual were approved as the official policy of the City of South Pasadena by the City Council in [REDACTED] 2022. Routine changes and updates to this manual will be made on an as-needed basis upon recommendation from the Finance Director and after approval from the Finance Commission.

All Finance Department employees and Finance liaisons in each department are bound by the policies contained or referenced herein, and any deviation from established policy is prohibited. Each applicable employee must read the manual and, if necessary, request clarification of the contents. Each employee must sign a statement of receipt acknowledging that they have received a copy or have been provided access to the manual and *understand they are responsible for reading and becoming familiar with the contents of it.*

This document is not intended to replace guidance provided by GAAP or by other external sources, such as procedures manuals related to the City's electronic financial management system. Please contact the Finance Department with any suggestions for improvement to the manual or any clarifications that may be needed.

## **B. Internal Control Policies**

The City Council and City management are responsible for ensuring and maintaining a system of internal control to safeguard assets against loss, ensure the accuracy and reliability of the accounting data and financial information, promote operational efficiency, and encourage adherence to prescribed financial procedures.

The City's system of internal control is based on the framework designed by the Committee of Sponsoring Organizations' (COSO) Internal Control – Integrated Framework (2013). This framework is based on the following five components:

1. Control Environment,
2. Risk Assessment,
3. Control Activities,
4. Information and Communication, and
5. Monitoring.

While each component includes a set of guiding principles, it is beyond the scope of this manual to incorporate and explain all control elements. However, included below is an adaptation of best practice guidance provided by the Government Finance Officers Association (GFOA) based on the first of the five components, the control environment. These standards set forth the basis for carrying out internal control:

1. The City Council, City management, and all levels of staff throughout the organization must demonstrate a commitment to the established internal control framework,
2. The City Council and City management are responsible for overseeing internal control,
3. City management will develop and maintain organizational structures and ensure staff accountability,
4. The City should commit to attracting and retaining competent employees, and
5. The City should hold individuals accountable for their internal control responsibilities.

Further details can be found on the GFOA website here: <https://www.gfoa.org/materials/internal-control-environment>.

Specific internal controls related to accounting procedures discussed in this manual will be described in each relevant section as appropriate. The Finance Director shall develop additional internal control processes or financial procedures, if warranted, to ensure and maintain a strong internal control function. Any weakness in internal control and accounting procedures shall be addressed immediately by the City Manager or Finance Director so a timeline to remedy improvement(s) can be established.

### ***Investigating Misuse of Funds***

It is important to remember that all funds received by the City can only be spent on goods and services that benefit the City. They must be spent in accordance with the budget appropriations approved by the City Council. Under no circumstances can City funds be used for personal goods or services for non-City purposes, whether by use of a purchase order, direct payment, procurement card, or any other means.

Supervisors are required to review invoices and credit card purchases before submitting them to the Finance Department for payment. As part of this review, should there be suspicion that City funds were used to purchase personal items for non-City purposes, the Finance Department should be notified immediately for further investigation. Any misuse of City funds could subject an employee to disciplinary action, up to and including termination.

## **C. Manual Updating and Distribution**

The following procedures will be used in updating the manual.

- Finance Department staff will review the manual annually to determine what should be updated, added, removed, or otherwise modified.
- Revisions to the manual will be presented to the City's Finance Commission for review prior to seeking final approval from the City Council.
- Email notification will be used for all manual additions and updates and will reference the updated sections.
- The email notification will be sent to everyone on a distribution list to be maintained by the Finance Department

### ***Availability of Manual***

This Policies and Procedures Manual is uploaded to the City of South Pasadena's intranet at the following location ([link to be embedded by the city](#)).

## FINANCE STAFF POSITIONS

### D. List of Positions

The Finance Department has seven full-time equivalent (FTE) positions as part of the FY 2021-22 budget, as listed below.

- Finance Director,
- Finance Manager,
- Accounting Manager,
- Payroll Accountant,
- Accountant, and
- Management Analyst (2).

**Note:** As authorized staffing changes, this page should be updated.

### E. Major Functional Responsibilities and Duties, including Qualifications

This section contains the major functional responsibilities and key tasks and activities for each of the positions in the Finance Department (as of May 2022). Please see the qualifications for each of the designated positions below in their official job description(s) as found on the City’s website at [Human Resources | South Pasadena, CA \(southpasadenaca.gov\)](https://www.southpasadenaca.gov/human-resources).

*Table 1. Major Functional Activities and Key Activities*

Position Title	Major Functional Responsibilities	Tasks/Activities
Finance Director	Financial and Administrative Management	<ul style="list-style-type: none"> <li>• Represents financial services of the City administration to residents, organizations, auditors, and other City agencies and governmental organizations</li> <li>• Provides support to the Finance Commission and any other special projects or analysis as requested by the City Manager</li> <li>• Responsible for supervision and administrative support within the department</li> <li>• Acts as the City’s purchasing agent</li> </ul>
	Compliance	<ul style="list-style-type: none"> <li>• Works directly with independent auditors on annual audit compliance at state and local levels</li> <li>• Oversees fund accounting, financial reporting, purchasing, and payroll systems</li> <li>• Ensures compliance with regulatory reporting, capital asset management and best practices in financial reporting</li> <li>• Recommends and implements enhanced internal controls and policy and procedure development</li> </ul>
	Budget	<ul style="list-style-type: none"> <li>• Directs Finance staff in coordination, development, analysis and implementation of the City budget</li> <li>• Assists department heads in financial matters pertaining to department operations</li> </ul>
	Reporting	<ul style="list-style-type: none"> <li>• Provides monthly and annual financial reports to the City Council through the City Manager</li> <li>• Prepares the Annual Comprehensive Financial Report</li> <li>• Performs financial review of staff reports for consideration by the City Council</li> </ul>

Position Title	Major Functional Responsibilities	Tasks/Activities
<b>Finance Manager</b>	Management	<ul style="list-style-type: none"> <li>• Assists the Finance Director in managing the financial operations of the Finance Department</li> <li>• Assists in the development and implementation of Finance Department goals, objectives, policies, and procedures, and measures accomplishments against stated objectives</li> <li>• Develops systems and policies to improve essential functions and services</li> <li>• Provides staff training and development</li> <li>• Assigns and reviews the work of subordinate employees</li> </ul>
	Budget	<ul style="list-style-type: none"> <li>• Coordinates, prepares, and administers the annual and mid-year budgets</li> </ul>
	Reporting	<ul style="list-style-type: none"> <li>• Prepares the Annual Comprehensive Financial Report (ACFR)</li> <li>• Prepares and maintains the City's Cash Flow Model on a regular basis</li> <li>• Submits mandated reports to regulatory and grant agencies</li> <li>• Directs and participates in the preparation of interim and annual financial reports in accordance with government standards</li> </ul>
	Financial Planning	<ul style="list-style-type: none"> <li>• Performs financial planning activities as related to investment analysis, sources and uses of funds, accounting, debt administration, and extensive budget planning and forecasting</li> <li>• Compiles and analyzes financial data to assist City administrators in financial planning and economic development</li> <li>• Analyzes, reviews, and prepares a variety of complex financial statements and reports</li> </ul>
	Contracts	<ul style="list-style-type: none"> <li>• Coordinates and reconciles the receipt of revenues from vendors</li> <li>• Works with departments to ensure contracts drafted comply with purchasing policies and accounting standards</li> <li>• Reviews certain contracts to ensure areas related to Finance are reasonable</li> </ul>
	Compliance	<ul style="list-style-type: none"> <li>• Ensures compliance with laws, codes and regulations governing regulatory and municipal accounting</li> <li>• Maintains high standards of professional accounting and auditing</li> <li>• Develops, revises, and implements specialized accounting procedures and systems to increase efficiency and effectiveness.</li> <li>• Coordinates the annual financial audit with external auditors</li> </ul>
<b>Accounting Manager</b>	Payroll	<ul style="list-style-type: none"> <li>• Oversees, manages, and serves as a business partner with the City's electronic time and attendance tracking system</li> </ul>
	Reporting	<ul style="list-style-type: none"> <li>• Performs financial analyses and accounting functions in the preparation and maintenance of financial records, reports, and statements</li> <li>• Compiles and analyzes financial data to assist City administrators with financial planning and economic development</li> </ul>
	Accounting	<ul style="list-style-type: none"> <li>• Manages all aspects of the City and Successor Agency accounting operations</li> <li>• Oversees and performs bank reconciliations; interacts with financial institutions and agencies</li> <li>• Develops and implements specialized accounting procedures</li> <li>• Provides timely and accurate monthly reports to departments</li> </ul>



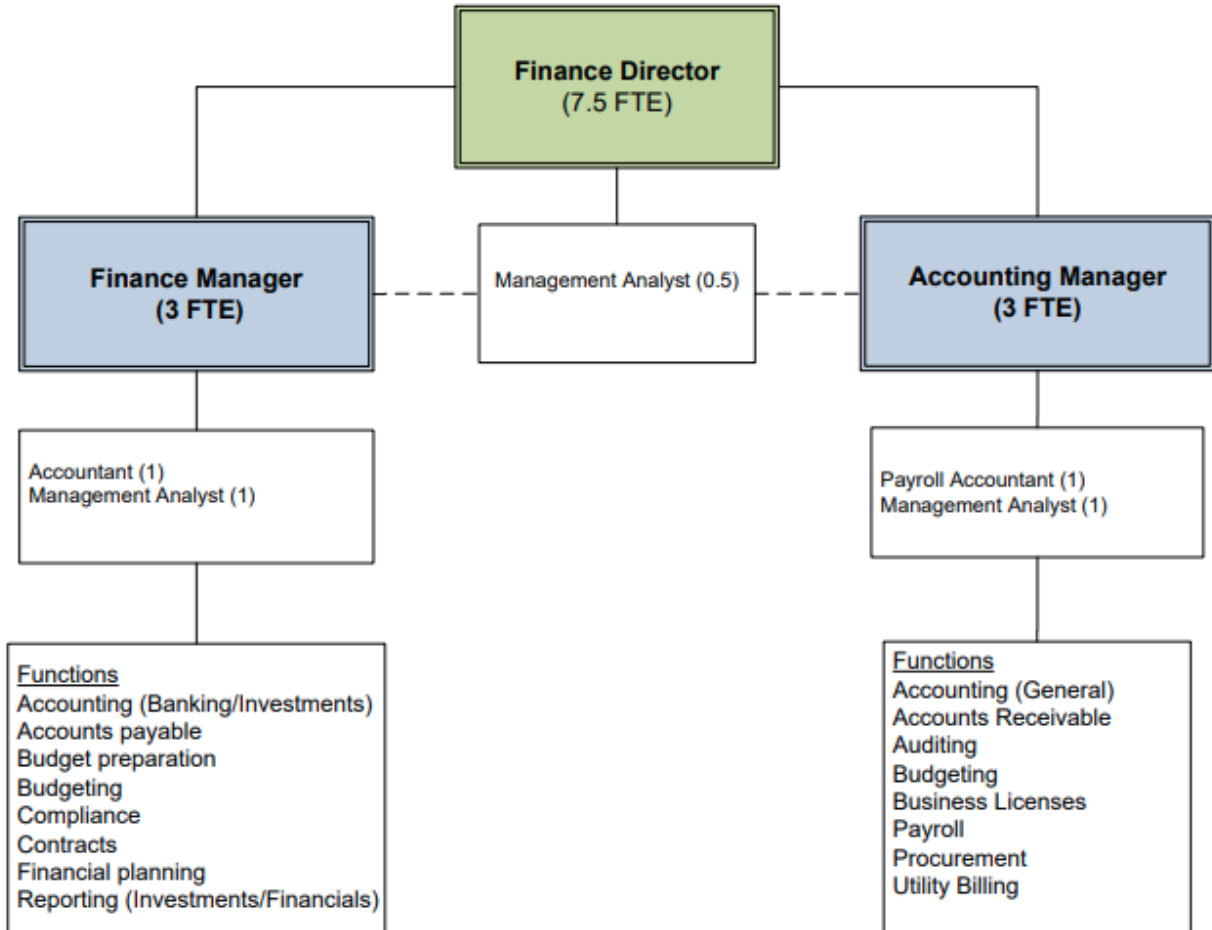
Position Title	Major Functional Responsibilities	Tasks/Activities
	Procurement	<ul style="list-style-type: none"> <li>• Reviews purchase requisitions and confers with departments to clarify requests, explain purchasing procedures, and provide additional information</li> <li>• Confers with product vendors regarding prices and specifications of goods</li> <li>• Analyzes bids received, compares specifications and prices, makes value analysis and recommendation of award of order</li> <li>• Prepares written bid specifications based on equipment, services or supplies as requested</li> <li>• Coordinates, implements, monitors, and evaluates procurement administration</li> <li>• Administers the procurement card program</li> <li>• Oversees contracts with vendors and vendor insurance compliance for the Finance Department</li> <li>• Oversees and manages the City's Payroll Processing Services, manages the retirement reporting, and tax deposits and reporting processes</li> </ul>
Payroll Accountant	Payroll	<ul style="list-style-type: none"> <li>• Performs complex payroll functions involved in the processing and maintenance of the payroll system</li> <li>• Performs analyses on various accounts as needed for audit or other purposes</li> <li>• Performs a variety of professional-level accounting functions in the preparation and maintenance of financial records, reports, and statements</li> </ul>
	General Accounting	<ul style="list-style-type: none"> <li>• Monitors expenditures and revenue activities; posts and maintains financial records for various accounts and funds</li> <li>• Prepares budget documents; makes adjusting and closing accounting journal entries</li> </ul>
Accountant	General Accounting	<ul style="list-style-type: none"> <li>• Prepares journal entries and bank reconciliations</li> <li>• Processes property tax, sales tax, and gas tax payments</li> <li>• Performs analyses on accounts as needed for audits or preparation of financial reports</li> <li>• Monitors expenditures and revenue activities</li> <li>• Prepares budget documents</li> <li>• Builds databases and spreadsheets of financial, budgetary, and other data</li> </ul>
Management Analyst	General	<ul style="list-style-type: none"> <li>• Provides general office support</li> <li>• Coordinates Finance Commission agenda packets and liaison duties</li> <li>• Answers the Finance Department telephone line</li> <li>• Oversees the Low-Income Tax Exemption Program, User Utility Tax Exemption Program, and Property Tax Refund Program</li> </ul>
	Utility Billing	<ul style="list-style-type: none"> <li>• Analyzes customer records to apply appropriate utility rates as prepared by the vendor (Munibilling)</li> <li>• Reviews, audits, analyzes, and reconciles customer billing records and makes adjustments as needed</li> <li>• Prepares journal entries for billing, revenue, etc.</li> <li>• Reviews audits, analyzes, and reconciles customer billing records and makes adjustments as needed</li> <li>• Investigates and resolves billing exceptions and serves as the primary contact for third-party utility billing vendors</li> </ul>

Position Title	Major Functional Responsibilities	Tasks/Activities
	Accounts Receivable	<ul style="list-style-type: none"> <li>• Manages the cash management contract</li> <li>• Coordinates petty cash within the City</li> <li>• Reconciles transactions processed in Springbrook</li> <li>• Creates bank deposit and sends to Bank of the West</li> <li>• Generates and submits reports to the Finance Manager for review and approval</li> <li>• Creates cash receipt batches, purchase order batches, and invoice batches for review by Accounts Payable</li> <li>• Process various revenue sources, such as Utility User Tax (UUT), grants, rental payments, etc.</li> </ul>
	Business Licenses	<ul style="list-style-type: none"> <li>• Coordinates quarterly meetings</li> <li>• Investigates application and billing Inquires</li> </ul>
	Budgeting	<ul style="list-style-type: none"> <li>• Creates budget and ACFR covers</li> <li>• Provides general support</li> </ul>
Management Analyst	Budgeting	<ul style="list-style-type: none"> <li>• Prepares monthly reports and mailings</li> </ul>
	Accounts Payable	<ul style="list-style-type: none"> <li>• Manages daily credit card requests and maintains internal control over cards</li> <li>• Processes and organize all requests for payments and purchase orders</li> <li>• Prepares warrant reports for the City Council</li> <li>• Generates and submit report to the Finance Director for review and approval of department invoices and purchase orders and journal entries</li> <li>• Collects and stamps incoming mail and routes mail to appropriate departments</li> </ul>
	Payroll	<ul style="list-style-type: none"> <li>• Assists in processing payroll-related reporting for the Warrant Report</li> </ul>

## F. Functional Organization Chart

The Finance Department's current organization chart is provided in Figure 1 below.

Figure 1. Finance Department Organization Chart



## PURCHASING

### A. Introduction

The purpose of this section is to provide information for procuring goods and services consistent with adopted policies and procedures and best practices. This section is intended to provide sufficient information to enable employees to be fully aware of and comply with City purchasing policies and to effectively participate in the purchasing system. This system was adopted to:

- Establish efficient procedures for the purchase of goods and services at the lowest possible cost commensurate with the quality needed.
- Exercise positive control over purchases.
- Clearly define authority for the purchasing function.
- Ensure the quality of purchases.

The City's purchasing system is codified in [Articles XI \(Purchasing\) and XIII \(Awarding Public Works Contracts\)](#) of the South Pasadena Municipal Code (municipal code).

The City's purchasing policy places an emphasis on competitive bidding to ensure best value in exchange for public funds, to facilitate fair and open competition, and to uphold the integrity of the purchasing system. However, there are alternatives to competitive bidding that may be used if appropriately justified, as explained in the [Purchasing Related Programs, Procedures and Requirements](#) subsection below.

### B. Purchase Categories

City purchases generally consist of the following categories for which different procurement methods may apply.

- **Goods.** The purchase of goods consists of materials, equipment and supplies needed by any department, including those items purchased with City funds and furnished to contractors for use with public projects.
- **Services.** City staff may require contracts for services, which fall into two categories:
  - *General Services.* General services are defined as services rendered by independent contractors such as custodial, building/equipment maintenance and machinery/equipment rental, excluding contracts to construct public projects.
  - *Professional Services.* Professional services are those rendered by engineers, architects, accountants, attorneys, doctors, and other individuals or businesses with specialized scientific, expert, technical or other skills of a similar nature.
- **Public Projects.** Public projects pertain to the construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement of any kind, including demolitions, the construction and installation of drainage systems, lighting and signaling systems, sewer and water systems, and park and recreational facilities. Maintenance required to preserve a public improvement is not considered a public work.

Public projects are awarded in accordance with the requirements of the Uniform Public Construction Cost Accounting Act ([CUPCAA, Public Contract Code sections 22000 et seq.](#))

## **C. Purchasing Authorities, Roles and Responsibilities**

The municipal code establishes the following authorities, roles and responsibilities associated with the purchasing system.

### ***Purchasing Agent***

The Finance Director is designated as the Purchasing Agent and may delegate purchasing responsibilities to another staff person. The Purchasing Agent is responsible for:

- Contracting for quality equipment, supplies and non-professional services at the least expense and/or best quality to the City.
- Ensuring that competitive bidding is conducted with full and open competition.
- Preparing and recommending purchasing policies and procedures in accordance with best practices.
- Prescribing and maintaining forms necessary to effectively administer the purchasing system.
- Keeping informed about procurement trends, market conditions, and new products to maximize value.
- Overseeing the disposal of surplus equipment and supplies that have become unsuitable for city use.

### ***Using Departments***

To ensure that the purchasing system is efficiently and effectively administered, staff in City departments are responsible for:

- Preparing cost estimates of their purchase requirements.
- Clearly identifying procurement needs and funding availability.
- Submitting accurate and concise purchase order requisition forms.
- Preparing and maintaining bidder's lists, as requested or required.
- Soliciting and evaluating bids and proposals as required.
- Inspecting goods delivered and/or services performed in a timely manner to verify conformance with bid specifications and contractual obligations.
- Authorizing payment for conforming goods and/or services.
- Reporting surplus property to the purchasing agent for disposal.

### ***Authority to Legally Bind the City***

To exercise positive control over purchases using public funds, the authority to legally bind the City (award contracts, sign written agreements on behalf of the City, and approve purchase orders) is limited to the City Council, City Manager, Finance Director (Purchasing Agent) and department directors, in accordance with the purchase types and dollar thresholds in accordance with [Section E \(Competitive Bidding and Contract Award Thresholds\)](#) below.

### ***Unauthorized Purchases***

Purchases approved by anyone other than the designated award authorities are unauthorized and do not constitute a valid charge against City funds. The City is under no obligation to pay vendors for unauthorized purchases, and employees who make such purchases will be subject to disciplinary procedures in accordance with the City's personnel policies and may be required to provide reimbursement.

**Encumbrance Requirement**

Except in cases of emergency, the Purchasing Agent cannot issue a purchase order for goods or services purchased unless there is a sufficient budget appropriation against which the purchase would be charged.

**D. Ethical Conduct**

All employees are responsible for impartially ensuring fair competitive access to procurement opportunities by responsible suppliers and contractors. Additionally, all employees will conduct themselves in a manner that avoids any impropriety, or appearance of impropriety, and that fosters the highest level of public confidence in the integrity of the City’s purchasing system.

1. **Code of Conduct and Conflict of Interest.** No employee shall participate in a procurement when the employee knows:
  - a. The employee or employee’s spouse, domestic partner, child, stepchild, parent, or stepparent will benefit financially from the procurement, and/or
  - b. The employee or employee’s spouse, domestic partner, child, stepchild, parent, or stepparent is negotiating or has an employment arrangement contingent on or will be affected by the procurement.

Upon discovery of an actual or potential conflict of interest, an employee shall immediately withdraw from further participation in the procurement.

2. **Gifts and Gratuities.** No City employee shall solicit, demand, accept or agree to accept a gift of goods or services, payment, loan, or employment offer presented, promised in return for, or in anticipation of favorable consideration in a City procurement. Unsolicited gifts sent to City employees by prospective or existing vendors shall follow the reporting requirements for public officials established by the [California Fair Political Practices Commission \(FPPC\)](#).
3. **Conduct with Vendors.** Conduct with vendors who provide goods or services to the City shall be fair, open, and transparent. City employees must refrain from showing favoritism to vendors, safeguard confidentiality when required, and select vendors only on the basis of appropriate and fair criteria.

**E. Competitive Bidding and Contract Award Thresholds**

The City has established the competitive bidding and contract award thresholds shown in Table 2 below.

*Table 2. Competitive Bidding and Contract Award Thresholds\**

Purchase Category	Estimated Value	Solicitation Method	Award Authority
<b>Goods and/or General Services</b>	Up to \$2,500	None, but quotations are encouraged	Department Director
	\$2,501 to \$25,000	Written quotations	Purchasing Agent
	\$25,001 to \$50,000	Written quotations	City Manager
	Greater than \$50,000	Sealed bidding	City Council
<b>Professional Services</b>	Any value	None required but quotations encouraged	City Manager (up to \$50,000)  City Council (greater than \$50,000)

Purchase Category	Estimated Value	Solicitation Method	Award Authority
<b>Public Works Projects</b>	In accordance with the values and methods pursuant to <a href="#">CUPCCAA, Public Contract Code sections 22000 et seq.</a>		City Manager (up to \$50,000) City Council (greater than \$50,000)
<p><i>*Note: Competitive bidding and contract award thresholds are periodically adjusted every three to five years or as conditions allow with Finance Director approval to account for changes in the economy, consistency with best practices, etc.</i></p>			

***Prohibition on Splitting***

Purchases of goods and services cannot be split or separated into smaller components to avoid the City’s competitive bidding requirements. The only exception to this requirement would be to comply with diversity and inclusion goals required by federal or state grants.

***Competitive Bidding Procedures***

Whether soliciting price quotations or conducting sealed bidding, it is a best practice to provide notice to as many qualified bidders as possible to ensure fair and open competition. *It is the policy of the City that a minimum of three quotations must be solicited whenever possible.*

If less than three quotes are received, the using department must provide an explanation with the purchase requisition that good faith efforts were made to obtain the required number of quotations. The requisition must also include documentation of the good faith efforts, i.e., vendor “no bid” response, email(s) sent to prospective vendors, etc.

The competitive bidding dollar thresholds shown below apply specifically to **goods** and **general services** as defined above. While **professional services** are exempt from competitive bidding under the City’s purchasing policy, proposals should be solicited from at least three sources to ensure best value and/or to comply with federal or state law as required.

**Purchases Between \$2,501 and \$25,000 (Open Market Procedure)**

For purchases between \$2,501 and \$25,000, written quotations are required, to be solicited by written notice inviting quotations. Written quotations must be submitted to the department director before requesting Purchasing Agent approval.

**Purchases Between \$25,001 and \$50,000 (Open Market Procedure)**

For purchases between \$25,001 and \$50,000, written quotations are required and must be submitted to the City Manager for approval after having been reviewed and approved by the department director and Purchasing Agent.

**Purchases Greater than \$50,000 (Formal Sealed Bidding)**

Purchases greater than \$50,000 require sealed bidding using the City’s standard bidding template(s) and associated product specifications and/or scope of services. All purchases greater than \$50,000 must be approved by the City Council, after having been reviewed and authorized to proceed by the department director, Purchasing Agent, and City Manager.

Notification to prospective bidders must be provided by issuing a notice inviting bids. This must be published at least ten days before the date of bid opening in a newspaper of general circulation in the City. The notice inviting bids must include the following:

- General description of the items to be procured,
- Information on how to obtain the bid document and associated specifications, and
- Time and place for the bid opening.

The notice inviting bids must be sent to a bidder's list, if one has been prepared and maintained for the items being procured.

### **Bidder's Security**

When required, bidders must submit a bid security (bid bond) in an amount not to exceed 10% of the bid price, in further accordance with the instructions to bidders in the City's standard bidding template(s). A bid bond is a guarantee by a bidder that they will execute a contract if deemed to be the lowest responsive and responsible bidder. This entitles the City to compensation if the low bidder fails to execute a contract and the City must award a contract to a higher bidder. (The entitlement is the difference between the lowest responsive and responsible bidder and the bidder ultimately awarded a contract.)

### **Bid Opening Procedure**

Unless otherwise specified, bids will be publicly opened by the City Clerk at the time and place stated in the bid notice, with each bid read aloud, and an apparent low bidder announced. If a bid bond was required as part of the solicitation requirements, the staff member opening the bids must verify that it was received for each submitted bid (a bid submitted without a bid bond, if required, cannot be accepted).

Following the bid opening, a bid tabulation sheet must be prepared and available for public inspection as soon as practical and in accordance with public records disclosure requirements.

### **Lowest Responsible Bidder**

Contracts resulting from competitive bidding will be awarded by the appropriate award authority based on the lowest responsible bidder who submitted a bid that was responsive to the solicitation request. A bid is considered to be responsive if it conforms in all material respects to the solicitation requirements; minor defects may be waived by the Purchasing Agent.

A bidder is considered to be responsible if they possess the demonstrated ability, capacity, experience and skill to provide the goods and/or services required by the solicitation.

### **Best Value Procurements**

Some procurements may require the use of a best value process where factors such as vendor qualifications and/or product or system functionality are evaluated in addition to low bid pricing. This means that a higher price can be paid for goods and/or services if the overall best value to the City can be justified.

When using the best value procurement method, the solicitation documents must include descriptive information that explains the evaluation process and criteria being used to award a contract. This type of solicitations is typically done using a request for proposals (RFP) process.



Note: When conducting a best value solicitation, the submitted proposals are not publicly opened and information on pricing is not read aloud (the evaluation process is confidential until a contract is awarded).

### ***Payment and Performance Bonds***

Depending on the type of goods and/or services being procured, payment and/or performance bonds may be required. A payment bond ensures that the prime contractor pays its subcontractors. A performance bond guarantees contractor performance in accordance with the City's specifications and contract terms and conditions. Bonds are typically set at 100% of the bid price.

If bonding is required, the bond form(s) and specified amount must be described in the notice inviting bids and sample forms included in the solicitation document.

### **Bidder's Lists**

Establishing and maintaining lists of prospective bidders can be an effective way of facilitating open competition for planned purchases of goods and services where open market procedures and/or sealed bidding is required. Using departments are encouraged to establish/maintain such lists where it makes sense to do so. In any event, using departments should keep records of prospective bidders who contact the City to specifically request being included on a bidder's list for future business opportunities. The department should review and update the bidder's list annually.

Note: Given the City's participation in CUPCCAA, the Public Works Department is *required* to establish and maintain lists of qualified contractors, identified by category of work, and provide notice to them of bidding opportunities for construction projects.

### **Recordkeeping**

Using departments must retain bid documents in accordance with the City's records retention schedule.

### **Competitive Bidding Solution (E-Procurement)**

As part of the City's efforts to continually evaluate processes and procedures for efficiency improvements, Finance Department staff will partner with the City Clerk and other staff members to assess e-procurement solutions to determine whether such a system should be procured for administering competitive bidding processes. Any such system shall adhere to the purchasing requirements specified in this document.

## **F. Purchasing Related Programs, Procedures and Requirements**

This section of the manual includes information on purchasing-related programs and procedures.

### ***Purchase Requisition and Purchase Order Required***

Unless procured by City-issued purchasing card, all purchases of goods and services greater than \$2,500 require the submittal of a properly completed purchase requisition form and approval of a purchase order by the Purchasing Agent.

**(Workflow for requisitions is being developed by city staff, to be incorporated here)**

### ***Use of Blanket Purchase Orders***

Blanket purchase orders are term contracts (usually for one year) for goods and/or services that can be purchased as needed throughout the year, as opposed to purchase orders that are used for one-time purchases. Blanket purchase orders are typically used for operational supplies such as hand tools, equipment, parts for equipment, etc., but can also be evaluated for other supplies that are required by using departments.

### ***Local Vendor Purchasing Preference***

Purchases from South Pasadena vendors are strongly encouraged where competitive prices and quality are apparent. When general funds are used for a purchase, local (in-city) vendors will be given a five percent preference of the quoted price. The rationale for local preference is that one percent of the sales tax on most acquisitions returns to the City General Fund as revenue, effectively reducing the procurement cost.

### ***Cooperative Procurements***

The use of cooperative purchasing programs is encouraged as a way to obtain goods and/or services by aggregating volume, securing value pricing and reducing administrative overhead. Cooperative purchasing methods generally include the use of another public entity's (local or state) competitive bidding process to establish a contract with that agency's awardee (also known as "piggybacking").

Additionally, there are numerous regional and national purchasing cooperatives that offer cost free memberships to access databases of available goods and/or services. Examples of state contracts and purchasing cooperatives include:

- [California Multiple Award Schedules \(CMAS\)](#) of the Department of General Services (DGS),
- [OMNIA Partners, Public Sector](#) (formerly U.S. Communities),
- [Sourcewell](#) (formerly National Joint Partners Alliance),
- [NASPO ValuePoint](#) (formerly WSCA-NASPO, or the Western States Contracting Alliance-National Association of State Procurement Officials), and
- [nppgov](#) (national cooperative based in Seattle, WA)

### ***Non-competitive Procurements***

Non-competitive procurements represent purchases made without competitive bidding where it may otherwise be required. Examples of such procurements are provided below.

- Sole source. A sole source procurement represents a purchase that can only be obtained from a single source.
- Single source. A single source procurement represents a purchase that can be obtained from more than one source, but a decision is made to source the purchase based on compelling factors such as price/value, degree of specialization or technical expertise, or product standardization.
- Cooperative procurements. Cooperative purchases leverage competitive bidding conducted by another agency, as specified above.

The City Manager or designee may authorize the purchase of goods and services up to \$50,000 without competitive bidding if it is in the best interest of the City. Sourced purchases of goods and services greater than \$50,000 must be approved by the City Council.

When submitting a purchase requisition for a sourced purchase, using departments must provide a written justification that explains why the procurement cannot be competitively bid.

### ***Procuring Goods or Services During Emergencies***

Emergency events that pose threats to life or property may require immediate purchases without complying with competitive bidding or other policy requirements. Requirements for making purchases in emergency situations are contained in [Articles XI \(Purchasing\) and XIII \(Awarding Public Works Contracts\)](#).

Note: During declared disasters where the City may seek reimbursement from the Federal Emergency Management Agency (FEMA), many purchases must be procured using competitive bidding methods as established by the granting agency.

### ***Environmentally Preferable Purchasing***

In seeking to encourage the preservation and improvement of the environment, the City has established an Environmentally Preferable Purchasing Policy (EPP). The overall objective of the EPP is to help ensure that City purchases:

- Conserve natural resources,
- Minimize environmental impacts such as pollution and use of water and energy (Energy Star and Low Emission Vehicles),
- Eliminate or reduce toxins that create hazards to workers and the community,
- Support strong recycling markets (recycled content paper),
- Reduce materials that would otherwise go to a landfill, and
- Increase the use and availability of products that protect the environment.

Detail on the City's EPP can be found here: [XXXXXX](#).

### ***Additional EPP Resources***

The Procurement Division of the California Department of General Services (DGS), as the lead state agency for implementing EPPs at the state level, can be used as a resource for [best practice information on "buying green."](#)

### ***City Purchase Cards***

The City has established a purchase card program whereby authorized employees may use a city-issued credit card for small dollar purchases of certain goods and services costing less than [\\$1,000](#). As part of the program, the Finance Department has a purchase card available for "checkout" with department director approval. Use of purchase cards is governed by the City's Purchase Card Use Policy. The full text can be found at: [XXXXXX](#).

Usage of a city-issued credit card is determined by the City Manager or Finance Director based on operational need for employees who are granted purchasing authority. Cardholders are required to sign an agreement that acknowledges the obligation to comply with the purchase card and purchasing policies with the understanding that policy violations can lead to disciplinary measures, including termination of employment. Under no circumstances can the purchase card be used for personal purchases.

Note: Purchase card transactions are reviewed each month by the Finance Director to ensure policy compliance. Additionally, the purchase card program is periodically reviewed by an independent party.

Detailed information such as allowable/prohibited uses, cardholder responsibilities, authorizations, conditions of use and penalties for incorrect use are provided in the Purchase Card Use Policy.

### ***Amazon Business Account***

The City has an online business account with Amazon, Inc. to facilitate the purchase of goods and/or services costing less than \$1,000 that are not available through other procurement means. Use of the Amazon business account is at the discretion of the Finance Director to employees who are granted purchasing authority.

Accountholders are required to sign an agreement that acknowledges the obligation to comply with all applicable City policies and procedures and will be subject to disciplinary procedures for policy violations, including termination of employment and/or criminal prosecution.

Prohibited uses include:

- Purchase of items for personal use,
- Splitting purchase transactions to circumvent policy requirements,
- Sharing the account with unauthorized users, and
- Failure to follow City purchasing policies.

Authorized account users must obtain transaction receipts and forward them, along with any required documentation, to the department head for approval.

### ***Procurement Risk Management***

Every purchase made by staff members carries an element of risk that must be mitigated through the use of contract terms and conditions that limit liability and/or through insurance requirements that vendors must meet to conduct business with the City.

### **Insurance Requirements**

Typically, insurance is required for general services and public works construction where contractors are working on City property or in rights-of-way. Insurance is also required for professional services contracts.

Insurance is not typically required for goods purchases, unless there is a services component that requires onsite work such as installation or ongoing maintenance, or for off-site services or memberships.

The City Clerk is responsible for tracking insurance certificates and ensuring they are up to date. However, the using department responsible for procuring the services must ensure that insurance requirements are initially met when establishing a contract. This includes verifying that insurance certificates include policy endorsement pages and appropriately insure the City. Given that contract terms rarely match up with insurance coverage terms, the points of contact for service contracts must collaborate with the City Clerk to ensure coverage is maintained at all times.

### ***Making Purchases that Utilize Federal Grant Funding***

When purchasing goods and services that utilize federal grants funds, the City is required to follow the Uniform Guidance requirements contained in the Code of Federal Regulations at [2 CFR 200.318 through 327](#). These requirements are incorporated in a separate policy document located here:

XXXX X.

***Disposal of Surplus Supplies and Equipment***

Using departments are required to notify the Purchasing Agent when supplies and equipment are no longer needed or have reached the end of their useful life. With the concurrence of the Purchasing Agent, if the item is not reassigned to another department then the using department has the authority to dispose of the item consistent with the Surplus Disposal Methods found in the Fixed Assets section of this manual. City Manager approval is needed for the sale of any surplus items for which the estimated value exceeds \$10,000.

Depending on the estimated dollar value and other factors, the Purchasing Agent may require surplus supplies or equipment to be competitively bid or publicly auctioned.

Surplus items with no salvage value should be disposed of in a manner that salvages recyclable components if practical.

## ACCOUNTS PAYABLE

### A. Introduction

The Accounts Payable (AP) function is responsible for processing vendor payments and printing checks in payment for goods and services purchased by the City. Depending on the nature of the purchase, different procedures may be required. For example, Accounts Payable makes payments from supporting documentation in the following forms:

- An invoice associated with a purchase order,
- An invoice without an associated purchase order (e.g., a utility payment), or
- A direct payment (such as a bond payment).

Regardless of the payment method, Accounts Payable must review all invoices and other payment-related documents in a timely manner to ensure that charges are legitimate and should be paid. Additionally, except in cases of emergency, payments can only be made if there is a sufficient budget appropriation.

Appropriate documentation is essential, and payments will not be processed from packing slips, account statements, etc., without an associated invoice.

#### ***New Vendor Set-up***

When doing business with a company or individual for the first time, it is necessary to set the vendor up in the financial system before a purchase order can be approved, or for an invoice to be approved when purchase orders are not required.

Using departments are responsible for providing the vendor with the City's standard Taxpayer Identification and W-9 Form letter (<S:\A2 FREQUENTLY NEEDED DOCS\FINANCE Forms>) and to obtain a completed W-9 form from the vendor. The completed W-9 form is then forwarded to Accounts Payable for entry into the Springbrook system.

The Finance Department must keep track of vendors that provide independent contractor services to the City so that Form 1099 can be issued on a calendar year basis for state and federal tax compliance. Form 1099 is issued to any vendor compensated more than \$600 in a calendar year. The form is uploaded and digitally filed at [fire.irs.gov](http://fire.irs.gov) by Finance staff.

#### ***Electronic Invoice Submittal Requirement***

To reduce paper, the City has adopted a requirement that all invoices presented for payment must be sent electronically, i.e., paper invoices sent through the U.S. mail are not accepted. Invoices are typically sent as PDF files attached to emails.

### B. Accounts Payable Policies and Procedures

It is the policy of the City that only *original* invoices as initially received by using departments will be processed for payment. If an original invoice is not provided, then a written explanation signed by an authorized department supervisor is required to justify payment.

As referenced in the [Purchasing section](#) of this manual, goods and services purchases greater than \$XXXX require a purchase order, with limited exception such as utility payments, rent/lease payments, or payments based on intergovernmental agreements. *Every effort must be made by using departments to comply with this requirement.*

### ***Payments of Invoices Against a Purchase Order***

The City's contracts and purchase orders contain payment terms and conditions that using departments must be aware of so that invoices can be received and paid in a timely manner. To facilitate payment efficiency, purchase orders issued to vendors contain instructions for including the purchase order number on the invoice. Purchase orders can also be routed digitally to vendors via Springbrook. However, vendors do not always comply with this requirement. Using departments should remind vendors of this requirement if invoices are routinely sent without a purchase order reference.

While it is a typical practice for vendors to email invoices directly to using department contacts, the Finance Department sometimes receives invoices directly. Invoices that are emailed directly to the Finance Department will be forwarded to using departments for processing.

### ***Invoice Processing***

Once invoices are received by using departments, they must be packaged for payment approval and entered into Springbrook. Departments are encouraged to create an AP Workflow Batch anytime there is more than one invoice to process. However, invoices should not be accumulated over a period of time to create a batch and should be packaged for payment approval within 48 hours of receipt. Detailed instructions on payment processing can be found in the AP Workflow Manual (<S:\FINANCE\AP Workflow - Proof Lists and GL Reports\AP Workflow Training Manuals & Requisition From Templates>).

When creating an invoice approval packet, the following items are required:

- Cover sheet with all fields correctly filled out (<S:\FINANCE\AP Workflow - Proof Lists and GL Reports\AP Workflow Training Manuals & Requisition From Templates>)
  - Vendor name
  - Invoice number
  - Purchase order number
  - General Ledger (GL) account number
- Original invoice
- Necessary or required backup documentation

Once the using department enters the invoice packet into Springbrook, it is routed for internal approval to a manager, deputy director, or designee (if the position exists in the department), then to the department director or designee. (Payment authorization within Springbrook constitutes signature approval.) Once approved by the department director, the invoice packet is then routed to the Finance Director for final approval.

Note: It is important that invoices are reviewed and approved in a timely manner. When the approval workflow has been generated, an automated email will be sent to the approver who has 96 hours to review the workflow before it expires, at which point a workflow must be regenerated.

### ***List of Authorized Approvers***

For internal control purposes, the Finance Department maintains a list of citywide authorized payment approvers that is periodically updated to keep current. The list is maintained electronically in the Springbrook system.

### ***Payments of Invoices without a Purchase Order***

As specified above, most purchases of goods and services require competitive bidding or a sourcing justification and an associated purchase order. However, the following types of invoices can be paid without competitive bidding (unless otherwise required by law or authorized by management) or establishing a purchase order:

- Goods and/or services less than \$XXXX
- Utility payments such as electricity and natural gas
- Legal fees
- Legal notices
- Payments to other governmental entities
- Postage
- Dues and Memberships
- Seminars and Workshops
- Advertisements and Notices
- Subscriptions
- Insurance Claims and Premiums
- Mileage Reimbursements
- Travel and Conference Expenses
- Recreation Instructor Payments
- Tuition Fees
- Courier Delivery Services
- Trade Circulars or Books
- Medical Payments
- Real Property Purchase or Rental

Invoice processing for these types of payments follows the same workflow for processing payments associated with purchase orders.

### ***Direct Payments without an Invoice***

In some instances, City staff make payments without a traditional invoice due to the nature of the payment being made. Examples of such payments include:

- Debt service payments,
- Payment of payroll withholdings,
- Refund checks for recreation services, and
- Lease and rental payments.

### ***Purchasing Policy Compliance***

When an invoice for goods and/or services greater than \$XXXX is submitted, appropriate documentation must be provided that demonstrates compliance with the City's purchasing policy, as follows:

- *If competitive bidding is required*, written quotes or bids must be included and/or a bid log provided with the payment request.
  - If a vendor *other than* the lowest bidder is selected, an explanation justifying the selection must be included in the invoice approval packet (typically a memo to the Finance Director).



Examples include vendor selections made on the basis of best value where allowed by law or policy; selections made in accordance with the City's local preference policy; and selections made because the low bidder's submitted bid/quote was not responsive to submittal requirements.

- *If competitive bidding is not required*, the invoice approval packet must include the appropriate exception to competitive bidding. This includes the items referenced above (utility payments, intergovernmental payments, etc.), as well as payments associated with professional services.

Note: Invoice packets that do not include required components will be returned to using departments for correction and resubmittal through the approval workflow process.

Note: City employees must make every effort to comply with purchasing policy requirements. If it is determined that a good has been received or service provided without complying with the City's purchasing policy, the using department must obtain authorization from the City Manager for the payment to proceed. Depending on the circumstances, City employees can be held personally responsible for payment to the vendor should they not comply with established procedures.

### ***Preapproval Required for Check Disbursements***

Currently, City staff pay a majority of the bills by issuing checks every other week to payees. This process requires the preapproval of the City Council before payments can be made (a warrant report with payee information is submitted by the City Manager to Council on a regular basis to ensure that payments are timely approved).

Prior to obtaining Council approval, a "check run" is performed to print the checks in sequential order. For internal control and efficiency purposes, all checks should be processed through this workflow, rather than requesting one-time or off-cycle check requests.

### ***Allowable Prepayments***

While every effort must be made to ensure that payments are made through the City's warrant register workflow process, it may be necessary for the Finance Director or City Manager to authorize prepayments before Council approval is obtained. These off-cycle payments are identified on the warrant register. Examples include payments that may accrue late fees or termination of services if not paid by the due date, urgencies such as debt service payments, payroll withholdings such as health insurance premiums and payroll taxes, and utility payments. In these rare occasions, all such requests must be sent to the Finance Director in writing by the respective department director in the using department requesting the check and the reason(s) why the off-cycle check is warranted.

### ***Check Preparation Requirements***

To maintain effective internal control, checks shall only be prepared by persons independent of those who initiate or approve payments, as well as those who are authorized check signers. In addition to any other requirements established herein, all vendor and employee reimbursement checks shall be prepared in accordance with the following guidelines:

- Checks shall never be made payable to bearer or cash.
- Checks shall never be signed prior to being prepared, i.e., blank checks cannot be signed.
- Checks must be printed in numerical order.

- Total cash requirements associated with each check run must be reviewed in conjunction with available bank balance(s) prior to the release of checks to ensure sufficient funds are available to make payments.
- All vendors should be paid within 30 days of City receipt of accurate, undisputed invoices.
- Timing of disbursements should be made to take advantage of early payment discounts offered by vendors.
- Checks will not be signed if supporting documentation is lacking or missing or if there are questions about a disbursement.
- Checks shall not be mailed by individuals who authorize expenditures.

### ***Voided Checks and Stop Payment Requests***

Checks may be voided due to processing errors by making proper notations in the check register and clearly marking the check as VOID. A journal entry is prepared for all voided checks via the Void Checks Module in Springbrook and retained on the Finance Drive in the Void Check folder.

If a check cannot be found, a stop payment request can be submitted to Bank of the West. An associated journal entry will be prepared via the Void Checks Module in Springbrook. The journal entries prepared to document voided checks and stop payments are necessary for accounting records and bank reconciliations.

### ***Automated Clearinghouse (ACH) Payments and Wire Transfers***

In keeping with best practice goals for reducing paper-based processes, the City makes nearly half of its payments through ACH and wire transfer processes. (The City's Taxpayer Identification and W-9 Form letter sent by using departments to new vendors includes a checkbox for acceptance of ACH payments which is leveraged for increasing this type of payment.)

Similar to the check preparation requirements mentioned above, the person preparing the ACH or wire transfer payment request cannot authorize the payment or initiate payment approval. ACH and wire transfer payments are so noted and included in the warrant report as approved by Council.

In addition, payments associated with the City's Amazon, Inc. online business account and purchase card program are paid through the ACH process, as are utility bills and postage meter payments. These payments are shown as "Supplemental ACH Payments" on the warrant register. The Supplemental ACH Payment expenses are recorded in the Springbrook via a Journal Entry, or through the Manual Check Module.

### ***Petty Cash Disbursements***

Petty cash provides a convenient mechanism for the reimbursement of employee's incidental expenses on the City's behalf, for purchases up to \$100. A purchase transaction over this amount should be an anticipated expense to be procured in compliance with purchasing policies and procedures.

## UTILITY BILLING OPERATIONS

### A. Introduction

The purpose of this section is to provide guidelines and procedures for the processing of utility bills consistent with best practices. South Pasadena operates its own water and sewer utility staffed by City employees (Public Works Department, Water Division), but contracts for billing and collections services. This section is intended to provide sufficient information to enable employees to be fully aware of and comply with standard operating procedures.

### B. Billings and Collections – Munibilling

The City collects revenues from billing utility services to customers (which includes water and sewer charges) on a bimonthly basis. The City contracts with Munibilling for all utility billing and collection services. Utility rates are determined based on a rate study and are approved via [resolution](#) approved by City Council. City Council adopts a regular rate and a low-income rate. Utility rates are updated by Munibilling. At the beginning of the calendar year, the management analyst must review the register for each of the eight cycles to ensure the new rates went into effect.

The management analyst reviews and approves the weekly bill register that is received from MuniBilling through a ZenDesk ticket. At the end of the month the management analyst downloads a monthly report from the Munibilling website that contains billing details, payment reports and other information to create monthly journal entries. The management analyst enters the information into an excel sheet, creates a .csv file and then imports the file into Springbrook. Weekly/monthly wires are reviewed in the bank reconciliation process.

MuniBilling is responsible for these services. Please refer to them at (877) 556-7929 for additional procedures.

### C. Request for Service (further information to be obtained by Munibilling)

MuniBilling is responsible for receiving new service requests from all new customers and setting up their accounts directly in the utility billing system. A \$200 deposit or a letter of credit (stating the customer was always on time with the previous utility company) is required to open the account and provided directly to Munibilling. Please refer to Munibilling for further procedures.

### D. Adjustment of Charges (to be obtained by Munibilling)

MuniBilling is responsible for these services. Please refer to them for procedures.

### E. Billing/Shut Off Procedures (further information to be obtained by Munibilling)

The City assesses a five percent penalty for delinquent bills. The City issues three notices after a customer's bill date if a payment is not received. The first is sent three days after the bill date with penalty charges with the warning of a door hanger is not paid by the stated date. The second is given at least ten calendar days after the first notice (not falling on a weekend or holiday). This is referred to as a door hanger, which gives the customer 24 hours to pay their past due amount to avoid shut off.

The third notice is given two business days after the second notice and may not be sent on a Friday, weekend, or holiday. This informs the customer that their water has been temporarily shut off. They must pay their bill to avoid further fees and keep their account open.

Door hangers and shut-off notices are generated by Munibilling and sent electronically to the Public Works Water Division to be printed and placed on customer's doors. Customers can make a payment directly to Munibilling via phone or online. Meter readers are prohibited from accepting payments from customers when they are in the field. Once a payment is received, the customer is removed from the shutoff list. If a customer does not make a payment within 24 hours of receiving the door hanger, the Public Works Water Division staff will go to the property and shut off the water from the meter. Eleven days after the water has been shut off, the meter is locked and the account is closed.

If a customer's water has been shut off, they must pay all reconnection fees ( door hanger fee and disconnect for nonpayment) in addition to their past due balance for the water to be reconnected. If a customer wishes to have their water connected outside of normal business hours (normal business hours are normally Monday through Thursday from 7:30 a.m. to 5:00 p.m.), the customer must pay the after-hours reconnection fee in addition to the past due charges and door hanger and disconnect for nonpayment fees.

For questions about the water meter reading process, please contact the Department of Public Works – Water Division.

## **F. Dispute Resolution Procedures**

If a customer has a dispute about their utility bill, the process described below will take place.

1. The customer shall notify Munibilling if there is a problem with their utility bill within ten working days of the due date printed on the disputed bill.
2. Munibilling will review and research the disputed bill. If a billing calculation error is found, it will be corrected immediately.
3. If a reread is necessary, it will be done within 24 hours of the notice. The meter reader will check the working condition of the meter at the time of the reread.
  - a. If the reread shows an error was made, or the meter was not working properly, the reading and/or meter will be changed and the bill will be adjusted accordingly.
  - b. If the reread shows the original reading was correct and the meter was working properly, no adjustment will be made.
  - c. The customer may request that a company specializing in such testing check the meter for accuracy. (The City uses Golden Meters Services Inc.) If testing shows the meter is working accurately, the customer shall pay for the cost of the testing. If the test determines that the meter is not working accurately, the City of South Pasadena will pay the cost of testing.
4. If the customer is not satisfied with Munibilling's decision, the customer has the right to request a further review from the management analyst).
5. After reviewing information provided concerning the disputed bill, the management analyst will make a decision about the disputed bill within five working days.
6. If the customer is not satisfied with the management analyst's decision, a written request may be submitted to have the disputed bill presented to the Finance Director (or appointed

- staff in place of the Finance Director) . The written request must be received within ten days of the management analyst's decision, or the decision is final.
7. Upon review of information provided by the customer and staff, the Finance Director will make a decision about the disputed bill. The Finance Director's decision is final.

### ***Irate Customers***

When dealing with difficult customers it is important to keep language professional, friendly and respectful while remaining calm. If an employee feels threatened by a customer and has made attempts to calm them, the employee should contact their supervisor to diffuse the situation. If the situation is still not resolved, staff should contact the Finance Director to assist.

If attempts to calm the customer are still not successful and the Finance Director has not been able to diffuse the situation, then the customer should be advised that staff will be calling the Police Department and the customer should be asked to stand aside.

## ACCOUNTS RECEIVABLE AND REVENUE COLLECTIONS

### A. Introduction

The Accounts Receivable function of the Finance Department handles the collection of the City's various revenue sources and other receivables. Examples of such receipts include taxes, fees, fines, billed goods and services, grant funding, deposits, and damage to City property.

The City receives its revenue in a variety of ways such as:

- Receiving remittances directly from the state or other governmental entities;
- Accepting cash, checks, and credit card payments at cashiering counters at City facilities;
- Receiving payments through the U.S. mail;
- Accepting payments online;
- Accepting automated clearinghouse (ACH) and wire transfer payments through secure online banking portals; and
- Direct invoicing individuals or companies for monies owed.

This section focuses on the City's receivables *other than* tax revenue and grant funding which are covered in the Governmental Accounting and General Ledger Maintenance Section of this manual. In addition to the policies and procedures on cash receipts described in this section of the manual, detailed instructions on cash handling and cash receipts are included in the citywide Cash Receipt Manual located at XXXXX.

The timing and receipt of receivables is critical for cashflow purposes. Equally important is the need to establish sound financial management and oversight practices and proper internal controls for handling and accounting for receivables. These principles and procedures are described below.

### B. Cash Handling

All persons engaging in any activity related to the handling of cash or other forms of payment must adhere to a system of internal controls that safeguard City funds. Effective cash handling management principles employ industry approved best practices, as well as the implementation of sound internal controls. Utilization of the following will aid in the achievement of this common goal:

1. The organization's structure should provide for the segregation of functional responsibilities such as invoicing, receipt of payments, and recordkeeping.
2. The work environment must be conducive to safeguarding money. This includes proper office layout with counters, safes, cash boxes, cash registers/terminals, camera and video monitors, alarm buttons, etc.
3. Employees must be qualified and trained in proper cash handling techniques.
4. There must be sufficient staff to permit segregation of functions.
5. Limited access should be given to persons handling cash.
6. Cash should be counted daily by two persons that verify the proper counting of cash and document their count by signing/initialing cash receipt logs.
7. Sound practices and procedures must be established and followed at all times in the performance of department functions.
8. Where a work unit is not large enough to allow for proper segregation of functions, or if the work environment does not permit the optimal physical facilities, management oversight must be increased commensurately.

## **C. Cash Receipts**

The City receives money through a centralized cashiering system. Money received for Planning and Public Works permits or plan checks, Recreation and Senior Classes, Library Fees etc. are processed by the department and reconciled by management analyst and a manager.

Each department opens a batch file in Springbrook to report the daily cash receipts.

Money is received through multiple channels: mail, walk-in, lockbox outside of City Hall, offsite departments, wire transfers, ACH, and online payments. The cashier assisting the walk-in customer will enter the payment details into Springbrook. Springbrook creates a receipt that is numbered automatically and given to the customer. The management analyst has access to the Utility Bill Dropbox (green box outside in front of the Police Department). The lock box is mostly for Water Utility payments. The management analyst mails bills to the processing center one to two times per week and keeps a log of payments received.

If the payments are coming from departments off site (Community Services, Recreation, and Library) they are transported daily using Brinks armored services. Staff from the Police and Fire Departments walk the deposits to Finance on business days.

The City accepts the forms of payment list below.

### ***Check Payments***

Checks are placed together with the batch at the end of the day and placed in the safe after reconciliation with the Cash Receipts Proof List for the day's receipts on that register (close around 5:30 p.m.).

The cashier for each department recounts all the money and ensures it agrees to the attached Trial Balance reports. Information from ACH receipts are obtained through bank statements and entered into Springbrook via the bank reconciliation process through a cash receipt.

### ***Credit Card Payments***

Handling of credit card payments is governed by the Payments Card Industry (PCI) Data Security Standards (DSS). The City must maintain PCI compliance in its handling and storage of customer credit card information. Walk-in credit card payments are charged and signed by the payee while at the counter. If the payee has authorized the City to charge the card and it is not in a position to sign the payment, then that will be noted on the payment.

At the end of the day, a Totals Report from the credit card machine (Bluefin) is automatically printed. The receipt amounts are counted and compared to the report from the credit card machine as well as the Settlement Report. Credit card receipts from other departments are also counted against the report from their respective batch. Credit card payments are reconciled using the Proof List function from Springbrook. The credit card receipts are placed in the safe with the other payment types for the day.

### ***Cash Payments***

Cash is received and counted before being put into the cash register. All cash shall be counted separately by two employees of the Finance Department as indicated in the Cash Handling section above. At the end of the day, cash is placed in the safe with the other payment types.

When received from other departments, the management analyst recounts the cash and makes sure the report matches the amount of cash received. Otherwise it is sent back to the department for them to reconcile. Finance staff will only receive cash from outside departments that has been properly accounted for and documented.

### ***Online Payments***

South Pasadena accepts online payments for water through the Munibilling portal, for Recreation through Sportsman, and for other payments such as permits and plan checks through Heartland.

Departments will send a customer a digital cash receipt form that includes their total along with a link to the City's portal. The system sends payment confirmation, which the customer is required to forward to the department to complete their application and/or project. Upon receipt of the confirmation from the customer, the department will forward this along with the cash receipt to the Finance Department. At the beginning of the following month, the management analyst generates a receipt report for each department and reconciles the cash receipts to the transactions, as well as the amounts received on the bank statement.

### ***ACH Payments***

Information from ACH receipts are obtained through bank statements and entered into Springbrook by the management analyst weekly.

## **D. Armored Transportation Service**

Brink's Incorporated provides armored transportation services to the City. Brink's will bring any cash from other departments offsite twice weekly (Tuesday and Thursday) and pick up any bank deposits the Finance Department has prepared.

## **E. Revenue Reconciliation**

The management analyst reconciles the cash, checks and credit card receipts and enters daily transactions on the Cash Receipts Reconciliation form ([provide link](#)) on a weekly basis. Once confirmed, cash payments are put into a sealed bag with payment information for Bank of the West. This bag is kept in the safe until it is picked by Brink's armored services to be transported to Bank of the West. The management analyst scans checks directly to Bank of the West once they have been reconciled.

All credit card receipts are kept in a locked cabinet in the office and filed by day. ACH remittances are saved in the Finance Drive.

The Finance Director, accounting manager, finance manager, and management analyst all have the combination to the safe.

## **F. Business License Payments**

Business license applications are processed through HdL, the City's contractor. Customers are encouraged to make the payment directly to HdL through their website but may also mail in payments.



## **G. Billing for Services**

The Finance Department invoices individuals and companies for services rendered or for damage to City property. In cases where a permit fee or deposit is required, the payment shall be made prior to the issuance of a permit or performance of other City services.

Unless otherwise required per ordinance, resolution, or other authority, all bills should have established terms (30 days from the invoice date). Invoices should include language to explicitly state the penalties and interest to be charged and the timeframe for which they will be charged. The City will assess a five percent penalty for delinquent bills.

City staff follows the same billing procedures outlined in the Utility Billing Operations section of this manual for services rendered and damage to City property.

## **H. Water Bills**

Water billing is outsourced to Munibilling. Munibilling utilizes Heartland to wire cash receipts to the City on a weekly basis. The management analyst mails bill payments to the processing center one to two times per week and keeps a log of payments received.

Note: Billing and cash receipts data sourced from Munibilling require manual entry in to the Springbrook system. The management analyst generates a summary report from Munibilling and translates it into a journal entry to upload into Springbrook.

## **I. Delinquent Accounts**

An allowance for delinquent accounts should be established to reflect the amount of the City's receivables that Finance Department staff estimates will be uncollectible. The establishment of an allowance account ensures that the City's receivables are not overstated and that accounts deemed uncollectible are timely and accurately recorded in the correct period for financial reporting purposes. Judgment will be exercised in determining the allowance for uncollectible receivables by the Finance Director.

Efforts should be made to pursue the timely collection of delinquent accounts. Write-offs should be performed annually to ensure account receivables are fairly stated. Collection efforts should be exhausted prior to any write-offs. Accountants and management analysts will identify accounts to be written off and submitted to the Finance Director or designee for approval. All accounts referred for write-off must be reviewed and approved by management prior to final write-off.

Amounts under \$5,000 may be written off with the approval of the accounting manager or finance manager after review by the Finance Director. Amounts under \$25,000 may be written off with the approval of the Finance Director, and amounts over \$25,000 shall be at City Manager's discretion.

## PAYROLL

### A. Introduction

The largest expenditure category of the City's budget is for the payment of salaries and benefits for its employees. It is critical, therefore, that the processing and accounting of these expenditures is performed accurately and efficiently. The payroll and benefits process is also one of the more complex functions in the Finance Department in that there are multiple bargaining groups, position classifications, and benefit plans, as well as the need to comply with all the reporting requirements of state and federal governments and the California Public Employees' Retirement System (CalPERS) related to payroll. This section provides guidance and procedures related to the proper processing and reporting of payroll and benefits. Overall responsibility for the administration of payroll rests with the Finance Department with the overall responsibility for benefit administration resting with the Human Resources Division of the Management Services Department.

This manual should be consulted in conjunction with appropriate instructions from state and federal agencies.

The objective of this section is to ensure:

- The timekeeping process is accurate and timely,
- The payroll process has proper internal controls and efficiently calculates pay and tax withholdings,
- Paychecks or direct deposits are timely and accurate and reflect valid services performed,
- Benefit costs deducted from pay are accurate, and
- Filings to other government agencies are on time and accurate (e.g., quarterly tax reporting, W2s, CalPERS reporting, etc.).

### B. Pay Period

The City operates on a biweekly payroll period. The Finance Department maintains a calendar of pay periods, timecard/leave request submittals, and pay dates and issues this calendar to all operating departments for dissemination to all employees. Employees are responsible for filing timecards and/or leave reports consistent with the published biweekly payroll periods.

### C. Employee Files

A personnel file is established for all employees with current documentation and is maintained by the Human Resources Division of the Management Services Department. The following payroll related forms, documents, and information shall be obtained and included in the personnel files of all employees:

- Emergency Contact form
- Acknowledgement forms
- Performance evaluations
- Training certificates, college degrees required
- Personnel Action Forms indicating all pay-related information

## **D. Changes in Payroll Data**

All the following changes in payroll data must be authorized in writing through a Personnel Action Form:

- A. New hires
- B. Terminations
- C. Changes in salaries and pay rates
- D. Voluntary payroll deductions
- E. Changes in income tax withholding status
- F. Court-ordered payroll deductions
- G. Direct Deposit Authorization
- H. Benefit Enrollment

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the Human Resources Division.

When changes to salaries and benefits result from updated memoranda of understanding (MOU) with the City's bargaining units, the Human Resources Division is responsible for indicating such changes on a timely basis to the Finance Department prior to the pay period in which the changes occur. Payroll will make the necessary modifications in the payroll system and will prepare a summary of all changes entered for review by the Human Resources Division to verify consistency with the negotiated changes in the MOUs. The Human Resources Division will submit written verification to Payroll indicating its review and approval of all changes.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee. Documentation of all changes in payroll data shall be maintained in each employee's personnel file, which is held in the Human Resources Division of the Management Service Department.

## **E. Payroll Taxes**

The Finance Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid on a timely basis in accordance with federal, state and local requirements.

## **F. Benefits Enrollment and Deductions**

The Finance Department is responsible for ensuring all required benefits deductions (e.g., CalPERS deductions, health benefits, deferred compensation, flexible spending accounts) are properly completed and submitted, and that all deductions are withheld and paid to the third-party administrators on a timely basis in accordance with their requirements. The Human Resources Division of the Management Services Department is responsible for entering and maintaining benefit information.

## **G. Preparation of Time Records**

Each employee must submit an approved time record on the first day following the close of each pay period. It is the employee's responsibility to accurately account for and record time daily using the identified method in each respective division. This applies whether using a time clock, hand-written records, or any other type of time recording device. Employees are also responsible for

promptly making any necessary corrections to the timesheet to accurately reflect hours worked or in a paid status.

Time records shall be prepared in accordance with the following guidelines:

- Each time record shall reflect all hours worked during the pay period (time spent on the job performing assigned duties), whether compensated or not.
- Time records shall be entered via *TimeClock Plus* and attested to by the employee.
- The timesheet is submitted to the immediate supervisor for verification and approval.
- Time records are reviewed and corrections are made by payroll staff.
- Employees shall identify and record hours worked based on the nature of the work performed.
- Compensated absences (vacation, holiday, sick leave, etc.) or leave without pay should be clearly identified as such.

The department director or their designees must approve overtime requests prior to overtime being worked.

After employee time records are prepared, the department director or their designees approve timesheets, including overtime submittals and leave requests, prior to submission. Timesheet corrections identified by an employee's supervisor shall be returned to the employee to update. Supervisors are to ensure that employees make the necessary corrections to their timesheets to accurately reflect hours worked.

If an employee is unable to submit their timesheet, payroll staff will enter their time according to the operating department's supervisor/manager's instructions. In this situation, the employee is responsible for ensuring that the timesheet is submitted and approved by their supervisor/manager as soon as possible after payroll is processed. Any differences that vary from the time paid will be addressed in the pay period immediately following proper submittal and approval of the timesheet.

## **H. Processing of Timesheets**

The payroll accountant will process the timesheets in *TimeClock Plus* submitted after departmental approval. The payroll accountant may change or correct timesheets to reflect payroll practices and notify the employee/supervisor of the change. Once the timesheet entries are completed and reviewed, the payroll accountant will run a report and download time data from *TimeClock Plus* and upload it into Springbrook for processing. Any changes or corrected payroll errors will be made on the next payroll.

Intentional falsification of timesheets shall be cause for discipline up to and including termination in accordance with the City's personnel rules and regulations.

## **I. Approval of Payroll**

The Finance Director or his/her designee shall sign and date the payroll registers indicating approval of the payroll.

## **J. Payroll Processing**

To process payroll, a positive pay file as well as an ACH NACHA file will be generated by the payroll accountant and saved in a payroll folder for each specific pay period. The accounting manager or in their absence, the Finance Manager will upload the positive pay file as well as the NACHA file to

Bank of the West. The accounting manager and the Finance Manager are the only staff members in the Finance Department that are authorized to upload the aforementioned files. Based on the total payroll payout for the ACH NACHA file and the positive pay files, a corresponding total amount of funds will be automatically transferred from the operating account at Bank of the West to the zero-balance payroll account.

Employees receiving hard checks or direct deposits are noted in the positive pay file. As part of the payroll process the system will push through a report of standard checks for all staff that are on the positive pay file and will receive a hard check. The format and layout of the standard check mirrors the City's blank check layout (payroll stub). Employees are encouraged to sign up for direct deposit with the payroll accountant to have their payroll deposited directly into their bank account.

Validated hard payroll checks or payroll stubs are individually presented to representatives from each operating department in sealed envelopes with the employees' name on it for distribution.

The accounting manager and the Finance Manager have the signatures of the Mayor and the Treasurer, which are password protected. The blank check stock is kept under dual control with one key held by the management assistant with the accounting manager and/or Finance Manager having access to the other key. Once the number of blank checks (which are prenumbered) is selected, that information is written into the log for utilized checks and the payroll accountant will print the check utilizing the standard check template onto the blank check stock. The accounting manager or in their absence, the Finance Manager will print the signatures onto the already prepared check(s). On a monthly basis, a reconciliation of the operating and payroll accounts is performed by a designated staff member in the Finance Department.

## **K. Separation of Employment**

Employees separating from City services will receive in their last payroll check or direct deposit as a cash-out for all unused vacation leave time, management leave and/or compensatory leave time that they had on the books prior to separation. Procedures for processing unused sick leave will be outlined in the appropriate bargaining groups' Memoranda of Understanding (MOU).

## **L. Post-Retirement Benefits**

The Payroll Accountant is responsible for uploading payroll data after each payroll to the California Public Employees' Retirement System's (CalPERS) MyCalPERS website. Reconciliation is completed to ensure accuracy of the reports generated to CalPERS by the payroll accountant and payment to CalPERS is processed by the payroll accountant. The Human Resources Division of the Management Services Department is responsible for ensuring all required retirement procedures are processed as outlined by CalPERS and the appropriate Memoranda of Understanding (MOU) for bargaining groups.

Other Post-Employment Benefits (OPEB) is outlined in the respective MOUs and administered by the Human Resources Division of the Management Services Department.

## FIXED ASSETS

### A. Introduction

As of June 30, 2020, the City owned capital assets amounting to \$225.2 million. They are broken down as shown in Table 3.

*Table 3. City Owned Capital Assets*

Capital Assets	Amount
Land and Construction in Progress	\$15.5 million
Buildings and Improvements	\$25.8 million
Vehicles and Equipment	\$13.9 million
Infrastructure	\$170 million

Given the size and complexity of this portfolio of capital assets it is incumbent on appropriate staff in the Finance Department to establish rules and procedures for the proper accounting of these assets in accordance with generally accepted accounting principles (GAAP) and for internal control purposes.

The objective of this section is to ensure that proper accounting procedures are in place to:

- Identify which expenditures qualify to be capitalized as fixed assets,
- Properly classify fixed assets,
- Determine proper depreciation of an asset (if appropriate),
- Determine which assets should be subject to periodic inventory, and
- Properly account for the disposal of an asset at the end of its useful life.

### B. Capital Assets Policies and Procedures

#### *Capitalization and Threshold*

Capital assets are major assets that are used in governmental operations and that benefit beyond a single fiscal period. The City of South Pasadena will report the following major categories of capital assets that have an estimated useful life of more than one year from date of acquisition or construction.

- Land
- Intangible assets
- Construction in progress
- Buildings
- Improvements other than buildings
- Furnishings and equipment
- Infrastructure

#### *Land*

Land is always capitalized as a separate capital asset in its own right, even if it is closely associated with some other capital asset. Thus, the land under a building or highway must be classified as land

rather than included as part of the cost of the building or highway. The amount capitalized as land should include any land preparation costs that will have an indefinite useful life. Land is not depreciated because it has an indefinite useful life. The capitalization threshold for land will be set at \$25,000, with an indefinite useful life.

### ***Intangible Assets***

Governmental Accounting Standards Board (GASB) Statement #51 deals with the reporting of intangible assets in financial statements. GASB #51 defines intangible assets as assets that are identifiable and possess all of the following characteristics: lack of physical substance, nonfinancial nature (not in monetary form like cash or investment securities), and initial useful life extending beyond a single reporting period. It requires the recording and reporting of intangible assets such as easements, land use rights (i.e., water rights, timber rights and mineral rights), patents, trademarks and copyrights. In addition, computer software that is purchased, licensed or internally generated (including websites) as well as outlays associated with an internally generated modification of computer software. The capitalization threshold for intangible assets will be set at \$5,000, with an estimated useful life between 5 and 50 years.

### ***Construction in Progress***

Construction in progress is an asset class whereby the costs directly associated with constructing a capital asset are recorded. Once the asset is placed in service, all costs associated with it that are stored in the construction in progress account are shifted into whichever capital asset account is most appropriate for the asset. Costs in the construction in progress account are not depreciated until the asset is placed in service.

### ***Buildings***

Buildings are an asset class used to account for permanent (non-moveable) structures. The amount reported should include any costs incurred to increase the service utility of a building or to extend its total estimated useful life (improvements or betterments). The amount should also include restoration costs incurred as the result of capital asset impairment. The capitalization threshold for buildings will be set at \$25,000 with an estimated useful life of 50 years.

### ***Improvements other than Buildings***

Improvements other than buildings include permanent (non-moveable) improvements to land that have a limited useful life (land improvements). Examples include roofing, fences, retaining walls, parking lots, and most landscaping. The capitalization threshold for improvements other than buildings is \$25,000 with an estimated useful life of 10 years to 50 years.

### ***Furnishings and Equipment***

Furnishings and equipment constitute an asset class to account for moveable items. Some examples include secondary road equipment, HVAC systems, technology equipment and software systems, and vehicles. The capitalization threshold for furnishings and equipment is \$5,000 with an estimated useful life between 3 years and 30 years.

### ***Infrastructure Assets***

This category involves long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are the basic physical assets that allow the City to function. Examples of infrastructure assets include streets, bridges, sidewalks, drainage systems, water and sewer systems, and lighting systems. Each

major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, parkways and medians, streetlights, and electronic control devices. These subsystems are delineated in the City’s annual financial statements. The appropriate operating department maintains information regarding the subsystem. The capitalization threshold for infrastructure assets will be set at \$25,000, with an estimated useful life as shown in Table 4 below.

*Table 4. Infrastructure Assets Thresholds*

Infrastructure	Years
Sewer collection system	60
Storm drain system	60
Bridges	60
Hardscape	40
Parkways and medians	40
Pavement, curbs and gutters, and sidewalks	35
Streetlights	20
Electronic traffic control devices	20

**Valuation Method of Capital Assets**

Capital assets are to be reported at the cost at which they were initially acquired or constructed (“historical cost”) or estimated historical cost if purchased or constructed. This should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition. The historical cost should include the cost of any subsequent additions or improvements, which would extend the expected useful life of the asset but exclude the cost of repairs or routine maintenance.

Items acquired to extend the life of a previously acquired asset are not required to be inventoried but are added to the historical cost of the asset and capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are to be expensed rather than capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The categorization of capital improvement costs as opposed to repair or maintenance will be determined based on the professional judgment of the asset operating department on a case -by-case basis. Trade-in value, if any, will be deducted from the asset cost. Additionally, if the asset traded was not fully depreciated, the ending book value will be added to the cash paid to determine the capitalized cost of the new asset. A trade-in can be defined as exchanging an existing asset as part of an agreement to acquire a new asset.

Capital assets acquired under capital lease are capitalized at the net present value of the total lease payments. Donated capital assets are valued at their estimated acquisition value at the date of



donation. Capital assets that are being depreciated will be reported net of accumulated depreciation in the statement of net position. Depreciation expense will be reported in the annual financial statement's Statement of Activities. Individual assets with an initial cost of less than \$5,000 will be maintained on an inventory list for insurance purposes and said list shall be maintained by the Director of Finance.

### ***Depreciation Method for Capital Assets***

Depreciation expense will be measured by the straight-line depreciation method which is historical cost divided by the estimated useful life of the asset.

$$\text{Formula} = \text{Historical cost} / \text{Estimated Useful Life}$$

Depreciation will be calculated annually based on the actual month of acquisition for the capital assets of machinery, equipment, vehicles, buildings and improvements other than buildings. Land, intangible assets and construction in progress are not depreciated. For intangible assets, if the useful life can be determined from contractual or other legal rights, then the intangible asset should be amortized over that useful life, and the service life should not exceed that contractual or legal rights limit.

If an asset's estimated useful life is either extended (increased) or reduced (decreased) at any time, depreciation expense will be adjusted prospectively to calculate depreciation based on the remaining undepreciated historical cost (historical cost less accumulated depreciation) divided by the remaining estimated useful life of the asset.

### ***Estimated Useful Lives of Capital Assets***

The standards or parameters for estimating the useful lives of capital assets are based on principles of objectivity and reasonableness. The professional judgment of staff in the City's operating departments is relied upon for determining estimates of useful lives, taking into account industry averages where applicable.

A range approach is used as a matter of policy, with specific estimated useful lives attached to specific assets when recorded to facilitate depreciation and tracking.

## **C. Disposal of Capital Assets**

The disposal of capital assets shall be done pursuant to this section to provide:

- For donation of "as-is" surplus supplies and equipment to other governmental agencies or non-profits providing services directly to South Pasadena,
- An ability to avoid the costs of unnecessary purchases and storage by facilitating the reuse of valuable surplus property and the disposal of surplus property of no resale value,
- For the quick and easy removal of surplus items from the owning department's premises and to provide compensation from sale,
- Sustainable practices by recycling surplus property in lieu of sending property to landfills, and
- The availability and affordability of land for the development of affordable housing.

The Surplus Land Act went into effect on January 1, 2021 and was designed to increase the availability of real property in California for affordable housing development by requiring the prioritization of affordable housing when cities sell or lease public lands that are no longer necessary

for City use. Accordingly, the City's policy regarding the disposal of surplus land will be governed by the Surplus Land Act Guidelines as enacted and amended by the state legislature.

### ***Eligibility for Surplus Disposition***

When it has been determined that an item has served its original purpose and no longer provides value to the City, the item shall be slated for determination of its eligibility for disposition. This policy covers items such as office furniture, office equipment, electronic equipment, City vehicles, computer hardware, and other capital outlays.

### ***Surplus Disposal Methods***

If an item is no longer of value to the City the item may be disposed of using one of the following methods:

1. Properly discard the item if it is broken, unusable, and/or hazardous;
2. Retention of the property and reassignment to another City department;
3. Trading the item in for new replacement equipment;
4. Donation in accordance with the Surplus Property Donation limits and procedures of this Policy;
5. Auction; and
6. Selling the item through a sealed-bid process.

### ***Oversight of Surplus Property***

As the City's designated Purchasing Agent, the Finance Director is responsible for managing the disposition of all City surplus property. The Finance Director may delegate this routine administrative responsibility as specified in this section to another department staff member. Once the request has been submitted, the Finance Director or the designated staff member will coordinate the removal of the items.

Items with a value of less than \$5,000 may be declared surplus by the appropriate department head and disposed of by one of the Surplus Disposal Methods. For tracking and accounting purposes, departments are to complete a Surplus Request Form when declaring property as surplus and sending it to the Finance Department.

Items with a value over more than \$5,000 and less than \$10,000 may be declared surplus by the Finance Director and disposed of by one of the surplus disposal methods. Items with a value of \$10,000 or more must be declared surplus by the City Manager prior to disposal by one of the surplus disposal methods.

To dispose of the City's surplus property by auction, the City has contracted with an outside vendor to pick up and auction the items. Checks for surplus items will be made payable to the City of South Pasadena.

Note: For health and safety reasons, no hazardous items will be picked up for disposal.

Table 5 reflects the aforementioned threshold amounts as well as authorization levels to declare property surplus.

*Table 5. Surplus Property Threshold and Approval Levels*

Threshold Amount	Approval
Less than \$5,000	Department may surplus/declare obsolete
\$5,001 to \$9,999	Requires Department to seek Finance Director approval
\$10,000 or more	Requires City Manager Approval

***Reassignment of Assets***

When a City department head determines that an asset is surplus to its needs, notification shall be made to the Finance Director to coordinate the appropriate placement, storage and disposal as determined. Prior to the declaration of surplus, the first option will be to reassign the asset within the City where it can be of most use or value. If it is not possible to be reassigned, the Finance Director shall prepare the asset for a City surplus determination by the City Manager, if it has a value of \$10,000 or more.

The decision to designate an item for the City surplus originates with the department where the material is located, and the department staff person shall complete the surplus request form including a complete description of the item, location, approximate value, etc. If the condition of City surplus materials is deemed as broken, unusable, hazardous and/or having “no salvage value,” then at the discretion of the Finance Director an item may be discarded properly. The Finance Director must be notified and may authorize the disposal of City surplus materials valued at less than \$10,000. The employee requesting that the item be declared surplus must sign the completed form before sending it to the Finance Department.

***Statement of the Surplus Request on the Staff Report***

Once the form is submitted to the Finance Department, the Surplus Request will be stated on the staff report for any item valued at \$10,000 or more. The City Manager will have the discretion to approve the request. Finance will coordinate staff report to dispose of surplus materials on a quarterly basis.

***Financial Reporting***

The Finance Department will be responsible for all levels of recordkeeping and sale processes. It is the responsibility of all departments to process and complete the Surplus Request Form and submit to the Finance Department. The Surplus Request Form can be found in the shared drive at: <S:\Finance\FORMS\Purchasing\Surplus Property>.

**Surplus Supplies and Equipment Eligible for Donation**

Surplus supplies and equipment valued at less than \$10,000 which are not reassigned to another City department use may be eligible for donation in the following priority:

1. To a non-profit organization formed by the City of South Pasadena for the benefit of its residents.
2. To another governmental agency, including a school district, which provides services to the City of South Pasadena or its residents.
3. To a non-profit organization (501-C(3)) which has either received a grant from the City to provide public services or has entered into a written agreement with the City or the

donation would further a special project or City effort to benefit any group or community, including a community event, that the City wishes to provided assistance to.

No surplus supplies and equipment with an estimated value of \$10,000 or more is eligible for donation unless authorized by the City Manager.

***Process for Donation of Surplus Supplies and Equipment***

- A. For surplus supplies and equipment valued at less than \$5,000:
  - 1. The department head identifies surplus property available for donation in accordance with this policy,
  - 2. Places a notice of availability of surplus property for donation on the City’s website for a 30-day period to receive requests for donation and reaches out to potential donees,
  - 3. Reviews all requests for donation and determines the donee in accordance with the priority of donations, and
  - 4. The decision of the department head is appealable to the Finance Director.
  
- B. For surplus supplies and equipment valued at \$5,000 or more, but less than \$10,000:
  - 1. The Finance Director identifies all property available for donation in accordance with this policy,
  - 2. Places notice of availability of surplus property for donation on the City’s website for a 30-day period to receive requests for donation and reaches out to potential donees, and
  - 3. Reviews all requests for donation.
  
- C. For surplus supplies and equipment valued at more than \$10,000:
  - 1. The Finance Director identifies all property available for donation in accordance with this policy,
  - 2. Places notice of availability of surplus property for donation on the City’s website for a 30-day period to receive requests for donation and reaches out to potential donees, and
  - 3. Reviews all requests for donation and submits eligible requests to the City Manager for determination.
  
- D. Requirements applicable to all donations.
  - 1. All requests for donation must state the benefit to be derived from the donated surplus supplies and equipment in the request for donation.
  - 2. Such requests must ensure that the donated surplus supplies and equipment benefits the donee as stated in the request for donation and that any donee or donee’s agent certify upon acceptance that no one involved in the donation process has received or will receive a profit or fee for the transaction.
  - 3. Donations of surplus property are made “as is,” without any warranty, express or implied. All donees shall execute a waiver of claim or liability against the City and agree to defend, indemnify and hold harmless the City, its officers, and employees, from any claim, cause of action, damage, loss, or liability arising out of the condition of the property or its use by the donees or subsequent transferee, as a condition of the donation.
  - 4. Under normal circumstances, surplus supplies and equipment will not be donated to city employees without first receiving City Manager approval.

## INVESTMENTS AND DEBT MANAGEMENT

### A. Introduction

This section of the manual includes information on how the City invests its idle funds and manages debt in accordance with applicable laws. In accordance with state law, the investment policy must be approved by the City Council each year. The policy, [located at XXXXX](#), contains details about how the City can invest its funds and what the allowable investment instruments are. (This manual only contains a brief description of the policy.)

South Pasadena has an elected City Treasurer who is responsible (under delegated authority from the City Council) for establishing procedures and controls associated with the City's investment program. This delegation of authority extends to the Finance Director and finance manager, who administer and manage the City's investment portfolio and required monthly reporting.

### B. City Investment Policy

To invest idle funds, the City must comply with state law that governs the types of allowable investments and explicitly requires that investment decisions be based first and foremost in the safety of the investment, followed by its liquidity, and only when these conditions are satisfied can yield be considered.

In addition to these requirements, the City Council is required to adopt a resolution to approve an investment policy every year. The City's investment policy covers all financial assets and investment activities under the direct control of the City. The key elements of the City's investment policy are briefly described below.

#### ***Prudent Investor Standard***

The City Council and any staff members authorized to make investment decisions on behalf of the City are trustees subject to the prudent investor standard specified in [section 53600.3](#) of the California Government Code. This standard essentially requires trustees to act with care, skill, prudence and diligence in investing the City's idle funds in accordance with lawful requirements.

All participants involved with investment processes must act as custodians of the public trust and recognize that the investment portfolio is subject to public review and evaluation. Accordingly, the overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

### C. Investment Management and Reporting

The authority to manage the City's investment program is derived from California Government Code Sections 53600 et seq. In adopting the investment policy, the City Council delegates investment authority to the City Treasurer, who is responsible for establishing procedures and controls for the operation of the investment program consistent with the investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. This delegation of authority extends to the Finance Director and finance manager, recognized as deputy treasurer(s).

The names of those persons to whom investment authority is delegated will be submitted to City Council for approval. No person may engage in an investment transaction except as provided under

the terms of the investment policy and its related procedures. The City Council may revoke the delegated authority of the City Treasurer in writing at any time.

### ***Reporting Requirements***

The deputy treasurers submit a monthly report to the City Council and copied to the Finance Commission. The report includes important information on investment activities. The investment policy includes the required reporting elements.

## **D. Debt Management Policy**

This Debt Management Policy establishes objectives, parameters, and guidelines for responsibly issuing and administering the City's debt. Prudent management of the City's debt program is necessary to achieve cost-effective access to the capital markets and demonstrates a commitment to long-term financial planning.

### ***Scope***

These policies establish the restrictions within which the City of South Pasadena and the South Pasadena Public Financing Authority, on behalf of the City, may issue debt. Additionally, these policies apply to debt issued by the City on behalf of assessment, community facilities, or other special districts, as well as conduit debt.

### ***Debt Management Objectives***

This policy sets forth key objectives for the City in issuing and administering the City's debt, which are to:

- Maintain the City's sound financial position.
- Minimize debt service and issuance costs.
- Maintain access to cost-effective borrowing.
- Achieve and maintain the highest reasonable credit rating.
- Ensure full and timely repayment of debt.
- Maintain full and complete financial disclosure and reporting.
- Ensure compliance with state and federal laws and regulations.

### ***Governing Authority and Responsibility***

- Legal Authority.*** The City's debt portfolio for all City funds shall be administered in conformance with all applicable Federal, State, and other legal requirements. The City will comply with applicable law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates, and charges.
- Delegation of Authority.*** The City Council has assigned duties to the Finance Director for authorizing, managing, and coordinating activities related to the structure, issuance, and administration of the City's long-term and short-term debt. No debt obligations shall be presented to the City Council, including capital leases, for their authorization without a joint assessment and approval by the City Manager and Finance Director. No department shall directly issue debt and departments planning debt-financed capital programs or equipment acquisitions will work in close coordination with the Finance Department and the City Manager's Office to provide information and facilitate the issuance and ongoing administration of debt.

- C. *Point of Contact.* The Finance Director shall be responsible for maintaining good communication with rating agencies, investors, other service providers, and the public regarding the City's financial condition, and will enforce a policy of full disclosure.
- D. *Policy Approval and Review.* This Debt Management Policy is an official policy of the City, approved by the City Manager as an Administrative Procedure Order. The Finance Department shall conduct an annual review of this policy and recommend amendments deemed necessary and appropriate.
- E. *Annual Debt Report.* The Finance Department shall prepare an annual report to the City Council containing a summary of the City's current credit ratings, and outstanding and newly issued debt. This report shall be presented either separately or within another financial report.
- F. *Professional Assistance.* The Finance Director shall have the authority to periodically select service providers as necessary to meet legal requirements and minimize debt costs. Such services may include financial advisory, underwriting, trustee, verification agent, escrow agent, arbitrage consulting, special tax consulting, and bond counsel. To achieve appropriate balance between service and cost, the Finance Director is authorized to select such service providers through sole source selection or a competitive process using a request for proposals.
- G. *Method of Sale.* Except to the extent a competitive bidding process is required by law, the Finance Director shall determine the most appropriate manner in which to offer any securities to investors. The City's preferred method of sale is by competitive bid. However, other methods such as negotiated sale and private placement may be considered on a case-by-case basis.

### **Types and Purpose of Debt**

The City may utilize the following types of municipal debt obligations to finance long-term capital projects. Long-term debt is only issued to finance the acquisition and/or construction of capital improvements unless otherwise decreed by court order or adjudicated settlement. Long-term debt financing shall never be used to fund operating or maintenance costs.

### **Types of Debt**

- A. *Assessment Bonds.* Proceeds from assessment bonds may be used to finance local public improvements and are repaid with taxes assessed on the parcels of land that benefit from the improvements. Local streets, streetlights, landscaping, sidewalks, and sanitary sewers are some examples of local improvements commonly financed by assessment bonds.
- B. *General Obligation (GO) Bonds.* The City may issue GO Bonds with two-thirds approval of a popular vote as stated in the California State Constitution (Article XVI, Section 18). GO Bonds are secured by a pledge of the full faith and credit of the City, or by a levy on property taxes to pay the debt service. GO Bonds are used to finance the acquisition, construction, or improvement of public facilities such as parks and public safety facilities.
- C. *Pension Obligation Bonds.* Pension Obligation Bonds may be issued to finance all or part of the City's unfunded pension liability and are a general obligation of the City. Typically, these bonds are issued at an interest rate which is lower than that being charged by CalPERS, the City's pension administrator.



- D. *Enterprise Revenue Bonds*. Enterprise Revenue Bonds may be issued to finance facilities for a revenue-producing enterprise and are payable from revenue sources generated and pledged by that enterprise. Water, sewer, refuse, storm water, and parking are examples of revenue-producing enterprises within the City.
- E. *Lease Revenue Bonds*. Lease Revenue Bonds are secured by and payable from a pledge of revenues consisting primarily of lease payments on the capital project being financed. The City's General Fund is obligated to pay these lease payments.
- F. *Refunding Bonds*. Pursuant to the California Government Code and various other financing statutes, the City is authorized to issue bonds for the purpose of refunding any long-term obligation of the City, provided it produces economic benefit to the City.
- G. *Conduit Financing Bonds*. Conduit financing is a mechanism for other governmental entities, nonprofit agencies, or private companies to fund projects that provide a clear public benefit through the issuance of tax-exempt municipal bonds. These are essentially revenue bonds payable solely from the loan repayments received from the borrower under the loan agreement for which the City has no liability for debt service. They may also be known as private activity or pass-through bonds. The City may issue Conduit Financing Bonds for projects such as schools, hospitals, universities, public works, housing, and industrial development. In such cases, the City will take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of the borrower.
- H. *Certificates of Participation (COP)*. COPs are a form of lease revenue bond that permits the investor to participate in a stream of lease payments, installment payments, or loan payments relating to the acquisition or construction of specific equipment, land, or facilities. The City is obligated to make these debt service payments.
- I. *Lease Financing*. The City may finance a capital asset by leasing it directly from the vendor or leasing company under a long-term agreement. This is essentially a lease-purchase contract with the lessor receiving a portion of each rental payment as tax-exempt interest.
- J. *Bank/Private Loans*. The City may borrow directly through a loan with a commercial bank, Letter of Credit, or Line of Credit with a commercial bank, state revolving loan program, or other governmental agency. Each loan will have a specific purpose.
- K. *Tax Allocation Bonds*. Before dissolution of California Redevelopment Agencies (RDAs) in 2012, the City of South Pasadena RDA issued Tax Allocation Bonds using tax increment funds as a pledge for repayment. The taxes pledged to the repayment came from the increase of assessed value over and above a pre-established base. Dissolution of RDAs in 2012 has ended this type of debt from being issued by California cities and counties.
- L. *Other Obligations*. There may be special circumstances when other forms of debt are appropriate and may be evaluated on a case-by-case basis. Such other forms include, but are not limited to, non-enterprise revenue bonds, bond anticipation notes, grant anticipation notes, tax and revenue anticipation notes, and judgment or settlement obligation bonds.

### **Purpose of Debt**

- A. *Integration with the City's Capital Improvement Plan*. The City is committed to long-term financial planning, including capital planning. This policy will be used in conjunction with the City's capital budget and the capital improvement plan. The City shall strive to fund the upkeep



and maintenance of its infrastructure and facilities due to normal wear and tear through its available operating revenues.

- B. *Long-Term Debt.* Long-term debt may be used to finance the purchase or improvement of land, infrastructure, facilities, or equipment for which it is appropriate to spread these costs over more than one budget year. Long-term debt may also cover capitalized interest, costs of issuance, required reserves, and any other financing-related costs which may be legally capitalized. Long-term debt may not be used to fund City operating costs.
- C. *Short-Term Debt.* Short-term borrowing, such as commercial paper and lines of credit, may be used as an interim source of funding in anticipation of long-term borrowing. Short-term debt is defined as debt repaid in twelve months or less and may be issued for the same purpose as long-term debt, including capitalized interest and other financing-related costs. Short-term debt, such as tax and revenue anticipation notes, may be issued to address justifiable cash flow requirements for short-term operating needs to provide necessary public services.
- D. *Refunding.* Periodic reviews of existing debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net benefit of the refunding.

Refundings that produce a net present value savings of less than three percent will be viewed as economically viable and considered on a case-by-case basis to achieve City goals such as changes in covenants, call provisions, operational flexibility, tax status, issuer, or the debt service profile. Refundings with negative savings will not be considered unless there is a compelling public policy objective that is accomplished by retiring the debt. The City may purchase its own bonds in the open market for the purpose of retiring the obligation when the purchase is cost effective.

- E. *Lease Financing.* The City may finance a capital asset by leasing it directly from the vendor or leasing company, with the lessor receiving a portion of each rental payment as tax-exempt interest.

### ***Debt Capacity***

It is the City's policy that aggregate debt service payments funded from General Fund sources shall be no greater than 10% of primary General Fund revenues as reflected in the prior year adopted budget. Payments on bonds that are tied to a specified revenue stream other than General Fund sources (e.g., enterprise revenue bonds, tax allocation bonds, and assessment bonds) are not subject to this 10% limit. Each proposed financing will be individually assessed by the Finance Director and subject to the approval policies contained herein.

### ***Debt Structure Features***

- A. *Debt Repayment.* The City will structure its debt issues so the maturity of the debt does not exceed the economic or useful life of the capital project which is financed.
- B. *Maximum Maturity.* The California Constitution allows for the issuance of long-term debt of up to forty years. The City's standard maximum maturity is thirty years, but up to forty years may be acceptable depending on cash flow assumptions, construction timeline, and remaining useful life of the asset being financed.
- C. *Credit Quality.* The City seeks to obtain and maintain the highest possible credit ratings when required for issuing long-term and short-term debt.

- D. *Fixed-Rate Debt.* Fixed-rate debt shall be the desired method of pricing.
- E. *Variable-Rate Debt.* The City may choose to issue debt that pays a rate of interest that varies according to a pre-determined formula or index. There may be situations in which the City will benefit from variable-rate debt.
- F. *Call Options and Premium Provisions.* Call options or optional redemption provisions can enable the City to partially or totally repay a bond issue before its stated maturity. These may be considered on a case-by-case basis when issuing bonds, provided they enhance the marketability of the bonds, ensure flexibility related to potential early redemption, or foster future refunding options. The potential for additional costs, such as a call premium or potentially higher interest rates, will be evaluated in the decision to redeem the bonds.
- G. *Credit Enhancement.* To establish or improve the credit rating on a proposed debt issuance, the City may purchase credit enhancement such as bond insurance, surety policy, or letter of credit. The Finance Director will consider the use of credit enhancement if it reduces the overall cost of the proposed financing or furthers the City's overall financial objectives.

### **Debt Administration**

The City's Finance Department shall maintain written directives and procedures detailing required actions to certify compliance with local, state, and federal regulations. The City is committed to full and complete financial disclosure in accordance with the requirements established by the Securities and Exchange Commission (SEC) rule 15c2-12 and the Municipal Securities Rulemaking Board. The City is also committed to fully supporting requests from rating agencies, institutional and individual investors, other governmental entities, and to the public to share clear, timely, and correct financial information.

In addition to financial disclosure and arbitrage rebate compliance, once bonds are issued the City is responsible for verifying compliance with all activities, agreements, and requirements outlined in the bond documents on an ongoing basis. This typically includes ensuring an annual appropriation to meet debt service payments; that relevant taxes, rates, and fees are levied and collected at a level sufficient to meet indenture requirements and debt service payments; the timely payment of debt service to a trustee or paying agent is completed; and compliance with insurance and other requirements.

Note: All investments of bond proceeds shall adhere to the City's Investment Policy which is approved annually by the City Council, federal tax requirements, and with the requirements contained in the bond documents. Investments related to the bond proceeds shall not allow security types or credit standards less than those stated in the City's Investment Policy.

## GOVERNMENTAL ACCOUNTING AND GENERAL LEDGER MAINTENANCE

### A. Introduction and Basis of Accounting

A core fiduciary function of the Finance Department is maintaining a system of monitoring, control and reporting for all operations and funds to provide effective means of ensuring that all City financial transactions are accounted for correctly. An accurate, up-to-date general ledger is critical as all financial reporting is based on information contained in the general ledger. It is important that staff has the appropriate skill sets and training to maintain a general ledger that is in accordance with generally accepted accounting principles (GAAP).

#### ***Basis of Accounting for Government-Wide, Governmental and Enterprise Funds***

The City of South Pasadena's accounting records are maintained in full accordance with GAAP, as established by the Governmental Accounting Standards Board (GASB).

The City's government-wide financial statements, as well as all proprietary funds (including Enterprise and Internal Service Funds) shall be reported using the economic resources measurement focus and the accrual basis of accounting. Revenues will be recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes will be recognized as revenues in the fiscal year for which they are levied. Grants and similar items will be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For all governmental fund financial statements (General, Special Revenue, Debt Service and Capital), the current financial resources measurement focus and the *modified accrual basis of accounting* is followed. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized generally when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments will be recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and will be recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period will be considered susceptible to accrual as revenue of the current period. Other general revenue items are considered to be measurable and available only when cash is received by the City.

### B. Chart of Accounts

It is necessary to set up and maintain the financial software to ensure the General Ledger is accurate. The chart of accounts is used for this purpose. The chart of accounts is an index of all financial data in the City's General Ledger that is designed to separate and correctly classify revenues, expenditures, assets, and liabilities.

The chart of accounts is an essential tool for ensuring that the City's financial transactions are correctly coded, accounted for, segregated, and reported in compliance with governmental

accounting standards covering budget appropriation controls, fund level accounting, grant accounting and capital projects accounting.

The City will establish its chart of accounts that is reflective of its accounting policies and consistent with GAAP. The following major fund groupings are established in the City's chart of accounts:

- General Funds,
- Special Revenue Funds,
- Debt Service Funds,
- Capital Projects Funds, and
- Proprietary Funds, which includes:
  - Enterprise Funds and
  - Internal Service Funds.

### **C. System Setup and Maintenance**

New account strings must conform to the overall chart of accounts' numbering scheme for each portion of the account number. Any changes to the chart of accounts must be approved by the Finance Department.

Reconciliations are performed by Finance Department staff on a monthly and annual basis prior to and after closing the month's/year's general ledger to ensure accuracy of the books and financial statements.

The Finance Department (in conjunction with the Information Technology Division of the Management Services Department) is responsible for maintaining the security and running updates for the City's financial software system. The general ledger software system must be maintained so it is conducive to supporting internal controls by segregating duties of staff members.

### **D. Recording Transactions in the General Ledger**

The proper recording and posting of transactions to the General Ledger (GL) is an essential accounting task to ensure the accuracy, validity, and reliability of financial records. Accurate records are necessary to track revenues and expenses in the annual adopted budget and to monitor the City's fiscal position for short and long-term budgetary decision-making.

#### ***Posting Transactions***

The accounts established in the GL must be kept up to date by routinely recording, adjusting, and correcting transactions. The following requirements apply to posting processes:

1. All transactions must include proper coding to the individual fund, department, program, project, and object code as applicable.
2. All transactions recorded in journals must be posted to the GL through Springbrook.
3. Recurring adjusting journal entries such as depreciation of fixed assets must be posted via journal vouchers every accounting period. These entries must be reviewed monthly and adjusted as necessary.
4. Adjusting journal entries must be made to correctly correct account balances or to record transactions not otherwise journaled. Examples of these entries include:
  - a. Accrual of income and expense items
  - b. Correction of errors
  - c. Recording of non-cash transactions

All journal entries are prepared by the accountant, must be reviewed and authorized by the accounting manager and/or finance manager before being posted. Adequate backup documentation, including documentation of approval, must be prepared and maintained for each journal entry.

### ***Trial Balance Preparation and Review***

After posting all journal and adjusting entries, a trial balance is printed. The trial balance is reviewed by the accountant to ensure that the GL is in balance, with necessary corrections being made by another staff member in Finance to reconcile any discrepancies. A final review will be performed by the accounting manager before financial statements are prepared for documentation and reporting purposes.

## **E. Journal Entry Preparation, Review and Processing**

The following procedures are necessary to ensure that all journal entries to the GL are properly prepared, documented, reviewed, approved, recorded, and maintained in accordance with GAAP.

1. Any journal entry must be documented by completing the journal voucher template.
2. All journal entries must be signed by both the preparer and reviewer prior to posting.
3. The person preparing a journal entry cannot approve the same journal entry.
4. The person preparing a journal entry is responsible for reviewing supporting documents and ensuring their accuracy, and for explaining the reason to justify the entry.
5. The person preparing a journal entry must ensure that the debits and credits are in balance.
6. All journal entries must include supporting documentation and a description that explains the nature of the entry and amounts being recorded.
7. All journal entries must be properly processed prior to closing the accounting period.
8. All posted journal entries and related documentation shall be maintained in an accessible file for review by management and external auditors as necessary.

### ***Journal Entry Approval***

Journal entries are prepared by the accountant or one of the management assistants and are reviewed and posted by the accounting manager and/or Finance Manager.

## **F. Financial Reporting**

The City must comply with all GAAP requirements and must publish an Annual Comprehensive Financial Report (ACFR). The ACFR shall be subject to an audit by an independent certified public accounting firm who shall render their opinion on the financial statements based on Government Auditing Standards issued by the Comptroller General of the United States. The ACFR, including the independent auditor's report, will be completed and published no later than six months after the end of the fiscal year. Any delay in meeting this timeline will require a written justification reviewed and approved by the City Manager and issued, as necessary, to other external entities that rely on the timely transmittal of the ACFR such as the State Controller's Office, granting agencies and debt issuers.

The Finance Department prepares the data for the statistical section and the entire ACFR is prepared by the auditor. The complete ACFR is reviewed by the Finance Director and City Manager before it is submitted to the City Council during a regular Council meeting for approval.

To the extent that the City received and incurred expenditures of federal grants that are subject to the federally mandated Single Audit requirements, the City shall also request that the independent

auditor issue a Single Audit Report on Federal Award Programs in compliance with the U.S. Office of Management and Budget (OMB) *Compliance Supplement*.

The ACFR, along with the auditor's report on internal controls and compliance and any required Single Audit reports, is presented to the City Council at a public meeting, after first being presented to the Finance Commission. The City shall endeavor to achieve audits with minimal auditor findings in the form of significant deficiencies and will swiftly and thoroughly respond to auditor findings of material weakness.

As an additional independent confirmation of the quality of the City's financial reporting, the City will annually seek to obtain the GFOA Certificate of Achievement for Excellence in Financial Reporting. The ACFR will be presented in a way designed to effectively communicate with residents about the financial affairs of the city.

### ***Midyear and Quarterly Financial Reporting***

In addition to the annual financial reporting process, the Finance Department monitors revenues and expenditures throughout the year and prepares a midyear budget update to the City Council not later than the end of February. The purpose of the midyear report is to consider changes in the City's fiscal condition and to make budget adjustments based on major changes to revenues or expenditures not anticipated at the time of budget adoption.

Quarterly budget updates will be provided to the City Council in October, February (inclusive in the midyear report mentioned above) and May, with the final update provided with the subsequent year's recommended budget. Additionally, the fourth quarter budget report will be presented as part of the ACFR presentation.

## **G. Bank Reconciliation Procedures**

As referenced in the Accounts Receivable Section of this manual, the City takes in cash, check and credit card payments on a daily basis. Payments received are deposited as they are received. Conversely, payments the City makes to vendors are typically made every other week. Given the many transactions that occur, and the timing of deposits and payments, it is essential that the City's bank accounts are periodically reconciled to the GL so it is kept up to date. At a minimum, all City bank accounts should be reconciled to the GL on a monthly basis with reconciling items promptly analyzed and adjusted with corresponding explanations and should be completed within 30 days of the end of the month.

The finance manager is responsible for preparing the monthly bank reconciliations and creating records of any adjustments. The monthly bank reconciliations must be reviewed and approved by the Finance Director.

The monthly bank reconciliation process consists of comparing cleared transactions on the bank statements to entries in the financial system to determine whether the bank balance equals the book balance from the GL. Any discrepancies between the two balances must be researched to determine the cause, such as recording errors, posting errors or omissions. This may also include recalculation of the bank statement for potential errors made by the bank.

Reconciling items such as interest, bank charges, and any recording errors must be summarized and journaled for recording to the GL, with supporting documentation maintained for audit purposes.

## H. Budget Adjustments

While the following table shows the approval authority for budget amendments, any increase in fund appropriations must be approved by the City Council.

*Table 6. Approval Authority for Budget Amendments*

Description	Approving Authority		
	Department Heads	City Manager	City Council
Budget transfer within the same division (O&M only)	X		
Budget transfer between different divisions but same department (O&M only)	X		
Budget transfer within the same department (O&M only)	X		
Budget transfer between Salaries and Benefits within the same department		X	
Budget transfer between two different departments		X	
Budget transfer between two different funds			X
Budget increase			X

## I. General Ledger Procedures

### ***Month-End Closing Procedures***

Today’s general ledger systems typically do not require that GL periods be closed each month. However, it is important that all transactions and adjusting journal entries be properly recorded within the monthly period to which the transaction relates.

To properly report midyear financial transactions in the midyear financial report (upon which budget adjustments are based), the City will perform a “soft close” at the end of December. This soft close will include recording accrual entries related to significant revenue sources such as property taxes, special assessments, sales taxes, franchise fees, water and sewer service charges, and other significant revenue sources. The soft close shall be completed as soon as practical and before preparing and finalizing the midyear financial report submitted for City Council review in February. Reversing journal entries shall be posted where necessary in the January period to maintain the appropriate GL balances.

### ***Closing the Fiscal Year***

The City will close its general ledger as soon as practical at the end of the fiscal year. Financial transactions for accounts payable are recorded until approximately the middle of August. Not later than September, the City will close the GL to all transactions recorded in the 12 monthly periods and starts to prepare worksheets with fund analysis for the year-end financial statements. Post-year end accounting periods (e.g., Period 13 for post-close transactions, Period 14 for audit adjustments) will be closed upon conclusion of the audit. The Finance team follows a financial close checklist to ensure all accounts are reconciled and accruals posted.

All manual journal entries prepared by the Finance staff are reviewed and approved by the accounting manager and/or finance manager before posting. Support for manual journal entries and documentation of the review and approval process of journal entries are physically saved for records retention.



## ACKNOWLEDGEMENT FORM

***Please read the following statements and complete this form and return to your supervisor within one week of commencing employment with the City of South Pasadena or within one week of an update to the manual to indicate your receipt and acknowledgment of this manual.***

This is to acknowledge that I have received and reviewed a copy of the City of South Pasadena Finance Policies and Procedures Manual dated [REDACTED]. I have had an opportunity to ask questions and seek any clarifications necessary regarding the policies and procedures set forth in this manual, and I understand these policies and procedures. I understand this manual supersedes all previously issued policies and procedures, and that I may request clarification of policies from my supervisor or the Finance Director.

I understand that this manual contains important information about the City's financial policies and on my obligations as an employee. I acknowledge that I am expected to read, understand, and adhere to this manual. I understand that I am governed by the contents of the manual and that the City may change, rescind, or add to any policies, procedures or practices described in the manual, from time to time in its sole and absolute discretion, with or without prior notice. The City of South Pasadena will advise employees of material changes within a reasonable time. I am aware that violations of the policy may subject me to disciplinary action, up to and including termination of employment.

I understand that my signature below indicates that I have read and understand the above statements and that I have received a copy of the current City of South Pasadena Finance Policies and Procedures Manual.

*Employee's Name (Print):* \_\_\_\_\_

*Employee's Signature:* \_\_\_\_\_

*Date:* \_\_\_\_\_

The signed original copy of this acknowledgment should be given to management; it will be filed in your personnel file.