

**Notice of Meeting for the
General Government and Finance Advisory BoardGeneral Government and Finance
(GGAF) Advisory Board Meeting
of the City of Georgetown
July 28, 2021 at 4:30 PM
at Georgetown City Hall Community Room, 808 Martin Luther King Jr. St.**

The City of Georgetown is committed to compliance with the Americans with Disabilities Act (ADA). If you require assistance in participating at a public meeting due to a disability, as defined under the ADA, reasonable assistance, adaptations, or accommodations will be provided upon request. Please contact the City Secretary's Office, at least three (3) days prior to the scheduled meeting date, at (512) 930-3652 or City Hall at 808 Martin Luther King Jr. Street, Georgetown, TX 78626 for additional information; TTY users route through Relay Texas at 711.

The Government and Finance Advisory Board is now meeting in-person with a quorum present and public is welcome to attend. If special accommodations are needed due to COVID-19 and attending virtually is necessary, please reach out to the Staff Liaison, Sharon Parker at sharon.parker@georgetown.org or 512-930-6534 for assistance

Regular Session

(This Regular Session may, at any time, be recessed to convene an Executive Session for any purpose authorized by the Open Meetings Act, Texas Government Code 551.)

- A Consideration and possible action to approve the minutes from the June 23, 2021 General Government and Finance Advisory Board Meeting - Sharon Parker, Board Liaison
- B Review any items that bypassed a GGAF meeting due to timing and went to Council.
- C Discussion and possible action to recommend proposed changes to the Fiscal and Budgetary Policies as part of the FY2022 budget development process. – Leigh Wallace, Finance Director
- D Consideration and possible action to recommend approval of a licensing Subscription Order form with Workday for an initial term of one year for \$465,852 and authorize the City Manager to execute up to three one-year renewals of the Subscription Order Form for a total cost of \$1,963,407.– Leigh Wallace, Finance Director and Workday Governance Committee Chair
- E Consideration and possible action to recommend an annual agreement between the City of Georgetown and DataProse LLC for utility bill printing and mailing services with an annual not to exceed amount of \$400,000.00 and to authorize the City Manager to execute renewals of the agreement for up to two additional one-year terms with the same terms and conditions for a total 3-year contract not to exceed amount of \$1,200,000 - Cindy Pospisil, Customer Care Manager, Leticia Zavala, Customer Care Director
- F Consideration and possible action to recommend approval of the purchase and installation of furniture from Core Office Interiors, through the Buyboard Contract # 584-19 in the amount of \$51,964.92. - Eric Johnson, Facilities Director and Trish Long, Facilities Manager
- G Consideration and possible action to recommend a Construction Contract with Fineline Electric, Inc. of Georgetown, Texas for the Construction of Georgetown Municipal Complex Renovation Phase I, in the amount of \$382,777. – Eric Johnson, Public Works Director.

Adjournment

Certificate of Posting

I, Robyn Densmore, City Secretary for the City of Georgetown, Texas, do hereby certify that this Notice of Meeting was posted at City Hall, 808 Martin Luther King Jr. Street, Georgetown, TX 78626, a place readily accessible to the general public as required by law, on the _____ day of _____, 2021, at _____, and remained so posted for at least 72 continuous hours preceding the scheduled time of said meeting.

Robyn Densmore, City Secretary

City of Georgetown, Texas
Government and Finance Advisory Board
July 28, 2021

SUBJECT:

Consideration and possible action to approve the minutes from the June 23, 2021 General Government and Finance Advisory Board Meeting - Sharon Parker, Board Liaison

ITEM SUMMARY:

FINANCIAL IMPACT:

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SUBMITTED BY:

Sharon Parker

ATTACHMENTS:

Description		Type
	Minutes	Backup Material

Minutes
General Government and Finance Advisory Board
City of Georgetown, Texas
Wednesday, June 23, 2021 at 4:30 PM

The General Government and Finance Advisory Board met on Wednesday, **June 23, 2021** at 4:30 PM at City Hall, 808 Martin Luther King Jr Street, Georgetown, Texas

Board Members Present:

Tommy Gonzalez, Chair
Stu McLennan, Secretary
Robert Witt
Eric Corp

Board Members Absent:

Kevin Pitts, Vice Chair

City Staff Present:

David Morgan, City Manager
Laurie Brewer, Assistant City Manager
Leigh Wallace, Finance Director
Elaine Wilson, Assistant Finance Director
Mayra Cantu, Assistant to the City Manager
Eric Johnson, Facilities Director
Trish Long, Facilities Manager
Clay Shell, Assistant Fire Chief
Leah Neal, Purchasing Manager (virtually)
Sharon Parker, Board Liaison

Others present:

Regular Agenda:

Tommy Gonzalez Called the meeting to order at 4:31 p.m.

- A. Discussion on how this virtual conference will be conducted, to include options for public comments and how the public may address the Commission – Tommy Gonzalez, GGAF Chair**

Tommy Gonzalez, Chair explained how the virtual conference would be conducted. No one signed up for public comment.

- B. Consideration and possible action to approve the minutes from the May 26, 2021 General Government and Finance Advisory Board Meeting – Sharon Parker, Board Liaison.**

*Motion to approve the minutes as presented by Eric Corp, second by Robert Witt. Approved _____
3-1, Stu McLennan opposed, Kevin Pitts absent.*

- C. Review any items that bypassed a GGAF meeting due to timing and went to Council – Tommy Gonzalez, Board Chair**

Minutes
General Government and Finance Advisory Board
City of Georgetown, Texas
Wednesday, June 23, 2021 at 4:30 PM

No items went to Council.

D. Consideration and possible action to execute a Maintenance Contract with Brandt Company, of Austin Texas through BuyBoard contract #638-21 for heating, ventilation and air conditioning (HVAC) maintenance services in an amount not to exceed \$275,000. – Eric Johnson, Facilities Director and Trish Long, Facilities Manager.

Discussion: Eric J – tonight I am presenting two separate items. In the past this was combined as one but we are separating the maintenance and replacement so they will be two separate contracts. The maintenance contract will include Inspection, Maintenance, and repair. Tommy – with adding two fire stations will this be covered in the cost? Eric J – yes that will cover the addition. Eric C. – is the cost comparable to last year? Trish – the price is comparable; we have changed out a lot of units and added the two fire stations. Robert – what was the cost last year? Eric J – around \$500,000.00 that included both maintenance and replacement. Tommy – what is the difference in the cost from last year? – Eric J – the maintenance was around \$250,00 last year and we are adding the two fire stations this year. Stu – gave breakdown of the past meetings and cost, Stu stated the city has done an amazing job with the HVAC replacement program. Tommy – is there something we were doing wrong that is causing the rate to increase each year? Trish – we have been cleaning up old assets. We have compared how much to repair verses how much to replace and upgrade from R22 we should start to see the replacement number decrease.

Motion to recommend to the City Council the approval of a Maintenance contract with Brandt Company for heating, ventilation and air conditioning maintenance service for a total cost not to exceed \$275,000 by Stu McLennan, second by Eric Corp. Approved 4-0. Keven Pitts absent.

E. Consideration and possible action to execute a Contract with Brandt Company, of Austin Texas through BuyBoard contract #631-20 for heating, ventilation and air conditioning (HVAC) replacement in an amount not to exceed \$350,000. – Eric Johnson, Facilities Director and Trish Long, Facilities Manager.

Discussion: This is the 2nd part of the contract that we have separated out. This is our planned replacement. We do have the option to change our order if need be. At the completion of this the oldest units will be 2010 with two R22 remaining. Tommy – is there a gap from the two oldest? Yes around 2015. Maintenance cycle will continue. Trish – the level of maintenance we are getting now makes a tremendous difference which will prolong the life of the equipment. Why are the five HVAC units at the Recreation Center outside the scope of this contract? Eric – The cost estimate is \$400,000 therefore the City is exploring other options. Stu – How many City of Georgetown facilities have HVAC systems and how many have not transitioned from R-22 to R-410 refrigerant? Trish – There are a total of 26 facilities, including FS#6 and FS#7. Only two remain on R-DD; the Georgetown Municipal Complex and Recreation Center.

Minutes
General Government and Finance Advisory Board
City of Georgetown, Texas
Wednesday, June 23, 2021 at 4:30 PM

Motion to recommend to the City Council the approval of a replacement contract with Brandt Company for heating, ventilation and air conditioning replacement service for a total cost not to exceed \$350,000 by Stu McLennan, second by Robert Witt. Approved 4-0. Keven Pitts absent.

F. Consideration and possible action to approve the purchase of Equipment and Maintenance of Self-Contained Breathing Apparatus (SCBAs) from Municipal Emergency Services (MES) using the BuyBoard Contract #603-20 at a total cost not to exceed \$75,000.00 for the fiscal year 2021 – Clay Shell, Assistant Fire Chief

Discussion: Shell – the next four agenda items we are asking for consideration to spend over the \$50,000.00 threshold established in TGC Section 252.021. We will be changing the way we do this come October 1st, we will start presenting at the beginning of the year all the contracts with the list of items that we might be purchasing to get that approved a head of time versus having to come back to council and GGAF every time we meet the \$50,000.00 threshold. This will stop delays and confusions. These are not request for additional funds, this is in our budget. This request is to spend \$25,000 over the \$50,000.000 threshold. (This approach is replicated in Items G, H and I.)

MES we don't know what we need, MES comes out and inspect and will let us know things we need to replace, we could be on a fire and something break. Tommy – you basically are asking for a line of credit, you may use it, but you may not depending on if needed. Shell – that is correct, we would stay within our budget. This just gives us the authorization to purchase items if needed.

Motion to recommend to the City Council the approval of purchase of Equipment and Maintenance of Self-Contained Breathing Apparatus from Municipal Emergency Services for a total cost not to exceed \$75,000 by Robert Witt, second by Eric Corp. Approved 4-0. Keven Pitts absent.

G. Consideration and possible action to approve the purchase of Fire and rescue equipment from Metro Fire Apparatus Specialist using the BuyBoard Contract #603-20 at a total cost not to exceed \$75,000.00 for the fiscal year 2021 – Clay Shell, Assistant Fire Chief

Discussion: Shell – requesting to spend up to \$25,000 above the \$50,000.00 threshold. – Eric C. – our all of our BuyBoard contracts renewable on an annual basis? Leah – No, not all contracts are the same.

Motion to recommend to the City Council the approval of purchase of Fire and Rescue Equipment from Metro Fire Apparatus Specialist for a total cost not to exceed \$75,000 by Eric Corp., second by Robert Witt. Approved 4-0. Keven Pitts absent.

H. Consideration and possible action to approve the purchase of firefighting equipment and personal protective clothing from CASCO Industries using the BuyBoard Contract #603-20 at a total cost not to exceed \$90,000.00 for the fiscal year 2021 – Clay Shell, Assistant Fire Chief

Discussion: CASCO same as previous items, requesting to approve purchase above the \$50,000.00 threshold to spend additional \$40,000.00. We will have new firefighters coming on board around August.

Minutes
General Government and Finance Advisory Board
City of Georgetown, Texas
Wednesday, June 23, 2021 at 4:30 PM

Motion to recommend to the City Council the approval of purchase of firefighting Equipment from CASCO for a total cost not to exceed \$90,000 by Robert Witt, second by Eric Corp. Approved 4-0. Keven Pitts absent.

I. Consideration and possible action to approve the purchase of uniforms from GALLS INC using the BuyBoard Contract #603-20 at a total cost not to exceed \$125,000.00 for the fiscal year 2021 – Clay Shell, Assistant Fire Chief

Discussion: Shell – same as the other ones, Galls is our authorized vendor for our uniforms and accessories. We are requesting to spend \$75,000.00 more than the threshold of \$50,000.00. We have seven new fire fighters coming in. Tommy – with the new fire fighters coming in do you have enough in the budget to cover them? Shell – yes, we basically keep a stock and replace as we use. We know that there is a delivery time frame issue on a lot of these products. This allows us to give the fire fighter everything they need when they start and then we can restock.

Motion to recommend to the City Council the approval of purchase uniforms from GALLS INC for a total cost not to exceed \$125,000 by Eric Corp, second by Robert Witt. Approved 4-0. Keven Pitts absent.

Meeting adjourned at 5:10 pm.

Tommy Gonzalez
Board Chair

Date

Stu McLennan
Board Secretary

Date

City of Georgetown, Texas
Government and Finance Advisory Board
July 28, 2021

SUBJECT:

Review any items that bypassed a GGAF meeting due to timing and went to Council.

ITEM SUMMARY:

No items presented

FINANCIAL IMPACT:

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SUBMITTED BY:

Sharon Parker

City of Georgetown, Texas
Government and Finance Advisory Board
July 28, 2021

SUBJECT:

Discussion and possible action to recommend proposed changes to the Fiscal and Budgetary Policies as part of the FY2022 budget development process. – Leigh Wallace, Finance Director

ITEM SUMMARY:

The purpose of this item is to discuss and receive feedback on the proposed changes to the Fiscal and Budgetary Policy for the upcoming budget.

The purpose of the Fiscal and Budgetary Policy is to provide the framework for financial operations of the City and to ensure prudent stewardship, financial planning and accountability. The bond rating agencies and external auditors are the primary external parties that review the policies and compliance.

Each year the Policy is administratively amended to recognize date and amount changes within the text; and to address any new financial or regulatory requirement that may need to be added. Other amendments may be recommended to clarify wording or to further define a particular policy area.

Potential changes for consideration and discussion are noted in the overview presentation. The full version of the policies with tracked changes is provided, as well as a clean copy.

FINANCIAL IMPACT:

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SUBMITTED BY:

Sharon Parker

ATTACHMENTS:

Description		Type
<input type="checkbox"/>	Presentation	Presentation
<input type="checkbox"/>	Proposed Fiscal Policies Tracked Changes	Backup Material
<input type="checkbox"/>	Proposed Fiscal Policies Clean Copy	Backup Material



FY2022 PROPOSED BUDGET

AND FIVE YEAR CAPITAL IMPROVEMENT PLAN

Fiscal and Budgetary Policies Update for FY2022 Budget

GGAF July 28, 2021

Purpose

- Fiscal and budgetary policies guide:
 - Budget development and monitoring process
 - Revenue and Expense
 - Capital asset replacement
 - Debt philosophy and process
 - Reserves and Financial Ratios
 - Accounting and audit policies
- Goal: Find a balance between flexible and firm

Audience

- Reviewed annually by GGAF and Council as part of budget development process
- Internal staff
- External auditors
- Credit rating agencies
- Rate and fee consultants



Administrative Changes

- Clarify existing wording and formatting
- Remove old language that no longer applies
- Update compliance for coming fiscal year

Substantive Changes

- Changing the meaning of the policy
 - Calculation change
 - Definition change
 - Change in decision maker
- Adding new policies

Examples of Past Updates

- Add new reserves
- Update policy to align with opportunities in new software system
- Clarify goals for rate-setting and revenue recovery
- Define appropriate uses of one-time savings

New Updates Proposed for FY2022

Simplify General Fund Balance Uses

Section III, J. Operating Budget

- Remove repetitive language about approved uses of General Fund one-time balances

Clarify Enterprise Activities

Section IV, Revenue Management

- Clarify various aspects of airport, stormwater, water and electric revenues
- Better align franchise and return on investment language with calculation and with purposes of transfers
- Add transportation to impact fee paragraph

Special Revenue Flexibility

Section V, D. Expenditure Management

- Public Art funding
 - Arts and Culture program re-organized in 2021 from Library to Economic Development departments
 - Update language on amount of Hotel Occupancy Tax that may be used on public art to give the Council more flexibility in the budget process

Update Asset Management

Section XIII, B. Fixed Assets

- Update policy to match current activities and allow flexibility for future activities with Electric plant

Debt policy

Section XIV, B. Debt Management

- Add detail to Internal Loan policy
 - Add tool for risk management
 - Electric purchased power
 - Emergency events such as weather, pandemic
- Add refunding as a debt type (currently used)
- Add Council goal to reduce winter storm energy cost debt as soon as practical

Debt policy

Section XIV, F. Debt Management

- Add variable rate debt as a structuring option
 - Fixed interest rates are preferred because they are predictable for long-term revenue and expense forecasting
 - Variable rates can allow early repayment with no penalty – useful tool for setting tax rate or using one-time available funds
 - Introduces risk to the debt portfolio – limited to no more than 10% of outstanding principal per system

Reserves

Section XV, 10.b - Reserves

- Electric fund rate stabilization reserve
 - Previously up to 10% of purchase power expenses
 - Proposed increase of up to 3 months of purchased power costs
 - Increase utility's liquidity to respond to severe events like the winter storm

Reserves Not in Compliance

Section XV, Financial Conditions and Reserves

- Maintained on Unfunded liabilities list in Quarterly Report
- Going into FY2022 budget
 - IT Fund Capital Reserve needs \$270K to comply
 - Facilities Fund Capital Reserve needs \$800K to comply
 - Joint Services 90 day operating contingency reserve needs \$1.1M to comply

Reserves Other Status in FY2022

- Economic Stability Reserve – funded at \$1.4M (2% of General Fund expenses)
- Cemetery Perpetual Reserve – funded at \$722K

Summary

- Several clarifications to the policies reflecting current practices
 - Opportunity to see policies in new light of pandemic/winter storm circumstances
 - Use of reserves as planned during difficult economic environment and uncertainty
- Additions to provide flexibility
 - Internal loans
 - Variable rate debt
- City continues to be recognized by credit rating agencies for strong fiscal policies that emphasize flexible liquidity

Next Steps

- Receive GGAF feedback and recommendation to Council
- Council update in August
- Adopt policies with budget in September

Fiscal and Budgetary Policy

Adopted: September 28, 2021

I. PURPOSE

The City of Georgetown is committed to financial management through integrity, prudent stewardship, planning, accountability, transparency and communication. The broad purpose of the Fiscal and Budgetary Policies is to enable the City and its related component units, including the Georgetown Transportation Enhancement Corporation (GTEC) and the Georgetown Economic Development Corporation (GEDCO), to achieve and maintain a long-term stable and positive financial condition, and provide guidelines for the day-to-day planning and operations of the City's financial affairs.

Policy scope generally spans areas of accounting, operational and capital budgeting, revenue and expenditure management, financial reporting, internal controls, investment and asset management, debt management and forecasting. This is done in order to:

- A. Demonstrate to the residents of Georgetown, the investment community, and the bond rating agencies that the City is committed to a strong fiscal operation;
- B. Provide precedents for future policy-makers and financial managers on common financial goals and strategies;
- C. Fairly present and fully disclose the financial position of the City in conformity to generally accepted accounting principles (GAAP); and
- D. Demonstrate compliance with finance-related legal and contractual issues in accordance with the Texas Local Government Code and other legal mandates.

These policies will be reviewed and updated annually as part of the budget preparation process.

II. FUND STRUCTURE AND BASIS OF BUDGETING

The budgeted funds for the City of Georgetown include:

Governmental Funds:

General Fund which accounts for all financial resources except those required to be accounted for in another fund, and include basic governmental services, such as Street Maintenance, Planning and Development, Police, Fire, Parks, as well as Solid Waste Management.

Special Revenue Funds (SRF) account for specific revenues that are legally restricted for specified purposes. Examples include Tourism, Parkland Dedication, Library Donations, Animal Services Donations, and Street Maintenance Sales Tax.

Debt Service Fund is used to account for the payment of general long-term debt principal and interest.

Capital Project Funds are used to account for the acquisition or construction of major capital facilities other than those financed by enterprise activities.

Proprietary Funds:

Internal Service Funds account for goods or services provided by one internal department to another. The City uses this system to recognize cost for fleet replacement and maintenance, facility maintenance, computer replacement and maintenance and employee health insurance costs.

Enterprise Funds include the City's business like activities including all the utility funds and the airport.

Basis of Accounting and Basis of Budgeting

The City accounts and budgets for all **Governmental Funds** using the modified accrual basis of accounting. This basis means that revenue is recognized in the accounting period in which it becomes available and measurable, while expenditures are recognized in the accounting period in which the liabilities are incurred. Because the appropriated budget is used as the basis for control and comparison of budgeted and actual amounts, the basis for preparing the budget is the same as the basis of accounting. Exceptions to the modified accrual basis of accounting include:

- ~~Encumbrances, which are treated as expenditures in the year they are encumbered, not when expended~~
- Grants, which are considered revenue when awarded, not received
- Principal and interest on long-term debt, which are recognized when paid.

Proprietary Funds are accounted and budgeted using the full-accrual basis of accounting. Under this method, revenues are recognized when they are earned and measurable, while expenses are recognized when they are incurred regardless of timing or related cash flows. The basis for preparing the budget is the same as the basis of accounting except for principal payments on long-term debt and capital outlay which are treated as budgeted expenses. Exceptions include:

- Depreciation which is not budgeted
- Non-budgeted accruals such as compensated absences.

III. OPERATING BUDGET

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. The operating budget is the City's annual financial operating plan. The annual budget includes all of the operating departments of the General Fund, proprietary funds, debt service funds, special revenue funds, and capital improvement funds of the City.

- A. **Form of Government** – The *Charter (Section 1.03)* established a Council-Manager Government wherein the City vests power in the City Council to “enact legislation, adopt budgets, determine policies, and appoint the City Manager who shall execute the laws and administer the government of the City.”
- B. **Comprehensive Plan** – The *Charter (Section 1.08)* requires that the City Council “establish comprehensive planning as a continuous and ongoing governmental function in order to promote and strengthen the existing

role, processes and powers of the City of Georgetown.” The current comprehensive plan is the 2030 Plan adopted in 2006 and updated in 2020.

- C. **Preparation** – The *Charter (Section 6.02)* requires “a proposed budget prepared by the City Manager and submitted to the City Council at least thirty days prior to the end of the fiscal year. The budget shall be adopted not later than the twenty-seventh day of the last month of the fiscal year. No budget will be adopted or appropriations made unless the total estimated revenues, income and funds available shall be equal to or in excess of such budget or appropriations, except otherwise provided.”
1. **Proposed Budget** – A proposed budget shall be prepared by the City Manager with participation of all of the City’s Directors within the provision of the *Charter* and the 2030 Plan.
 - a. The budget shall include four basic segments for review and evaluation:
 - Revenue
 - Personnel Costs
 - Operations and Maintenance Costs
 - Capital and other non-project Costs
 - b. The budget review process will include City Council participation in the development of each segment and allow for resident participation in the process, and will allow for sufficient time to address policy and fiscal issues by the City Council.
 - c. A copy of the proposed and approved budgets will be filed with the City Secretary when it is submitted to the City Council and will be available on the City’s website.
 2. **Adoption** – Upon finalization of the budget appropriations, the City Council will hold a public hearing, and subsequently adopt by Ordinance the final budget as amended. The budget will be effective for the fiscal year beginning October 1st.

The Annual Budget document will be submitted annually to the Government Finance Officers Association (GFOA) for evaluation and consideration for the Distinguished Budget Presentation Award.

- D. **Balanced Budget** – The goal of the City is to adopt and maintain a balanced operating budget using sustainable funding sources that are expected to continue to be available in subsequent fiscal years. Excess balances in operating funds from previous fiscal years shall remain in the fund in which they were appropriated until either such excess balances are proposed and adopted pursuant to *Section III. C. Preparation* of this policy; until they are used to reduce outstanding debt obligations of the City; or both.

The *Charter (Section 6.04)* requires that an operating deficit created in any fiscal year shall be paid off and discharged during the following year. In practice, deficit has been interpreted to mean City funds as a whole. The City Council may choose from time to time to allow individual funds to have a negative balance as long as Operating Reserve requirements for the City as a whole are maintained.

- E. **Planning** – The budget process will be coordinated so that major policy issues are identified prior to the budget approval date. This will allow City Council adequate time for consideration of appropriate decisions and analysis of financial impacts.

- F. **Reporting** – Summary financial reports will be presented to the City Council quarterly. These reports will be in a format appropriate to enable the City Council to understand the overall budget and financial status.
- G. **Control and Accountability** – Each Director, appointed by the City Manager, will be responsible for the administration of his/her departmental budget. This includes accomplishing the Goals and Objectives adopted as part of the budget and monitoring each department budget for revenue collections and compliance with spending limitations. Directors may transfer funds up to \$25,000 within the operations and maintenance or capital line items within a departmental budget category with approval from Finance. All transfers from or to the Personnel line items require approval of the Finance Director and City Manager. All other transfers of appropriation or budget amendments require either City Council or City Manager approval as outlined in *Section III.G Budget Amendments* and *Section V.C.4 Use of Excess Salary Savings*.
- H. **Budget Amendments** – The *Charter (Section 6.04)* and the Local Government Code 102.009 and 102.010 provide a method to amend the budget for emergency appropriations and municipal purposes. The City Council may authorize, with a majority plus one vote, an amendment to the original budget. This may be done in cases of grave public necessity, or to meet an unusual and unforeseen condition that was not known at the time the budget was adopted. The following criteria will be used in evaluation of budget amendments:
- Is the request necessary?
 - Why was the item not budgeted in the normal budget process?
 - Why can't a transfer be done within the Division to remedy the condition?

The Finance Director must certify availability of revenues or funding sources prior to adoption.

If needed, the City will amend the budget at year end for increased revenue and for expenditures that exceeded budgeted amounts. The City may also amend the budget for any capital project timing adjustments from prior year, as well as any other known adjustments needed and approved at that time.

- I. **Contingency Appropriations** – The budget may include contingency appropriations within designated operating department budgets. These funds are used to offset expenditures for unexpected maintenance or other unanticipated expenses that might occur during the year. Currently, the City maintains contingency appropriations for items such as insurance deductibles, unexpected legal expenses and equipment repairs.
- J. **Use of Unanticipated and Unappropriated General Fund Balances** – Within 90 days after fiscal year end, staff will report the projected General Fund balance to Council. In the event that unexpected, unbudgeted amounts are determined to be available in the General Fund after year end close, these funds may be used for any of the following one-time purposes that mitigate increases in property taxes, as approved by the City Council:
1. to fund capital projects;
 2. to fund equipment purchases in lieu of issuing debt;
 3. -to reduce outstanding City debt, including bonded indebtedness and unfunded pension liabilities;
 4. to fund contingent liabilities such as the benefit payout reserve, cemetery trust fund, and similar obligations of the City;

- ~~5. to take other steps to reduce property tax rates or mitigate any future increases;~~
- 5. to hold those funds in reserves for future commitments or contingencies that may be pending, and/or;
- 6. to fund one-time start-up programs or one-time studies
- ~~7. to fund an Economic Stability Reserve of annual General Fund operating expenditures according to Section XV, A, 2, b, Economic Stability Reserve.~~

IV. REVENUE MANAGEMENT

A. **Characteristics** – The City will strive for the following optimum characteristics in its revenue system:

- 1. **Simplicity** – The City, where possible and without sacrificing accuracy, will strive to keep the revenue system simple in order to reduce compliance costs for the taxpayer or service recipient.
- 2. **Certainty** – A knowledge and understanding of revenue sources increases the reliability of the revenue system. The City will understand its revenue sources and enact consistent collection policies to provide assurances that the revenue base will materialize according to budget.
- 3. **Equity** – The City shall make every effort to maintain equity in its revenue system; i.e., the City should seek to minimize or eliminate all forms of subsidization between entities, funds, services, utilities, and customer classes, and ensure an on-going return on investment for the City.
 - a. The City will make every effort to recognize the benefit that City tax payers contribute to City programs and services.
 - b. The annual Recreation residential membership rates are established at 75% of non-residential rates plus or minus 10% at the discretion of the Parks and Recreation Director in keeping with the targeted market cost recovery.
- 4. **Revenue Adequacy** – The City should require there be a balance in the revenue system; i.e., the revenue base will have the characteristics of fairness and neutrality as it applies to cost of service, willingness to pay, and ability to pay.

Overall Operational Cost Recovery for Recreation is targeted to be between 50 – 60%, with some variance in individual programs.

- 5. **Realistic and Conservative Estimates** – Revenues will be estimated realistically, and conservatively, taking into account the volatile nature of various revenue streams.
- 6. **Administration** – The benefits of a revenue source should exceed the cost of levying and collecting that revenue.
- 7. **Diversification and Stability** – A diversified revenue system with a stable source of income shall be maintained. This will help avoid instabilities in revenue sources due to factors such as fluctuations in the economy and variations in the weather.

B. **Other Considerations** – The following considerations and issues will guide the City in its revenue policies concerning specific sources of funds:

1. **Cost/Benefit of Incentives for Economic Development** – The City will use due caution in the analysis of any incentives that are used to encourage development. A cost/benefit (fiscal impact) analysis will be performed as part of the evaluation.
2. **Non-Recurring Revenues** – One-time or non-recurring revenues should not be used to finance current ongoing operations.
3. **Sustainable Revenues** – Sustainable means revenue that is consistently available year after year, and includes revenues realized subsequent to adopted projections.
4. **Property Tax Revenues** – Annually, the City will forecast property tax revenue as part of the budget process. Certified Assessed Value Reports from the Williamson Central Appraisal District are used to forecast property tax. The City will comply with State law regarding publication notices and Truth in Taxation requirements.
5. **Interest Income** – Interest earned from investments will be distributed to the funds in accordance with the average daily cash balance of the fund from which the monies were provided to be invested.
6. **User-Based Fees and Service Charges** – For services associated with a user fee or charge, the direct or indirect costs of that service will be offset by a fee where possible. The City will review fees and charges no less than once every five years on a rotating schedule to ensure that fees provide adequate coverage for the cost of services. The City Council will determine how much of the cost of a service should be recovered by fees and charges.
7. **Enterprise Activity Rates** – The City will review and adopt utility and airport rates as needed to generate revenues required to fully cover operating expenses, meet the legal requirements of all applicable bond covenants, and provide for an adequate level of working capital. Enterprise rates will be reviewed annually as part of the budget process. A rate study will be conducted no less than every 3 years to review rate methodology and ensure revenues will meet future needs. All enterprise rates will be based on standardized cost of service methodologies and conservation goals.
 - a. **Water Rates** will recognize at least 75% of the fixed cost of service, including debt payments and ROI costs, within the monthly base charge determined by meter size. Volumetric charge will recognize the balance of fixed costs not included in the base rate, plus all variable costs associated with procuring and treating water.
 - b. **Wastewater Rates** are fixed for all residential customers based on the cost of providing services. Commercial customer rates are fixed and volumetric depending on size and specifications of each commercial customer.
 - c. **Electric Rates** include 100% of fixed costs within the base rate, and demand rates, with all variable costs included in the kWh rate. The Power Cost Adjustment (PCA) Factor and Transmission Cost Adjustment (TCA) Factor are determined by comparing forecasted costs against actual costs in a budget year, and seek to recover/credit variances within 6 to 12 months. For reference, see Code of Ordinances 13.04.075 and 13.04.080.

- d. **Stormwater Drainage Fees** are based on a mathematical calculation using impervious cover and applied in compliance with State Law.
- e. **Solid Waste and Environmental Services Rates** are based on the wholesale cost of service and retail incentives for conservation, the cost to renovate the transfer station, plus a return to the General Fund for wear and tear of heavy trucks on City streets, a franchise fee, and an administrative allocation for managing the solid waste contract and solid waste departmental programming.
- f. **Airport Fuel and Lease Rates – fuel rates** are based on the cost of the fuel plus a profit margin to fund operations; lease rates are based on the initial appraisal of the land or facility plus an escalation for consumer price index and used to fund operations, capital improvement, contingency, and debt service requirements.
8. **Internal Cost Recovery Fees** – Additionally, enterprise activity rates will include transfers to and receive credits from other funds as follows:
 - a. **General and Administrative Charges** – Administrative costs should be charged to all funds for services of general overhead, such as administration, finance, customer billing, legal and other costs as appropriate. These charges will be determined through an indirect cost allocation following accepted practices and procedures and reviewed annually by the City's external auditors.
 - b. **Payment for Franchise of Right of Way and Payment in Lieu of Taxes~~Return on Investment~~** – The intent of the ~~these~~ transfers to the General Fund are to provide a benefit to the citizens for the ownership of the various utility operations ~~they own~~. ~~For all utilities except for Electric:~~

Water, Wastewater, Irrigation and Stormwater Drainage

- In-Lieu-of-Franchise-Fee. ~~This transfer, currently~~ 3% of operating revenues from Charges, Connect Fees, Tap Fees, Penalties and Late Fees ~~generated inside the City, is consistent with the franchise rates charged to investor owned utilities franchised to operate within the City.~~
- Payment in Lieu of Taxes (PILOT)~~Return on Investment~~. The ~~return on investment (ROI)~~ transfer ~~for In-City utility customers~~ is ~~currently~~ calculated at 7% of operating revenues from Charges, Connect Fees, Tap Fees, Penalties and Late Fees ~~for all non-electric utilities~~. ~~ROI for water and sewer customers outside the City is 10% of operating revenues.~~

Electric

~~The Franchise and Return on Investment for the Electric Utility are both derived from the base monthly charge gross revenue and kWh sold.~~ For customers inside the City, the franchise fee is \$0.002947/kWh sold, ~~and the Return on Investment~~ The payment in lieu of taxes for customers inside the City is 7% of gross revenue of the base monthly charge, and \$0.007253/kWh sold. For customers outside the City, there is no franchise fee to the City of Georgetown; however, those customers may be subject to franchise fees in the jurisdiction in which they reside. Outside the City customers are charged a payment in lieu of taxes ~~Return on Investment~~ equal to 7% of gross revenue of the base monthly charge, and \$0.0102/kWh sold.

9. Revenue Monitoring – Received revenues will be regularly compared to budgeted revenues and variances will be investigated, and any abnormalities will be included in the quarterly report to the City Council.

10. Other Funding Alternatives

When at all possible, the City will research alternative funding opportunities prior to issuing debt or increasing user-related fees.

- a. Grants – All grant applications must be approved by the City Council prior to being submitted to a granting agency. Prior to submittal to Council, departments will verify that the benefits of the grant exceed the cost of grant administration and will also provide the required grant forms to Finance for review in accordance with the Grant Acquisition, Management, and Compliance Policy. Finance will review and sign the forms which provides detailed information including, but not limited to, the term of the grant, any matching requirements, the resulting operational requirements once the grant is discontinued, and a budget request detailing the line items to be effected, all of which should be included in the Council agenda item packet requesting approval to apply. The City Council must also authorize acceptance of any grant awards received.
- b. Use of Reserve Funds – The City may authorize the use of reserve funds to potentially delay or eliminate a proposed bond issue. This may occur due to higher than anticipated fund balances in prior years, thus eliminating or reducing the need for debt proceeds, or postpone a bond issue until market conditions are more beneficial or timing of the related capital improvements does not correspond with the planned bond issue. Reserve funds used in this manner are replenished upon issuance of the proposed debt.
- c. Developer Contributions – The City will require developers who negatively impact the City's utility capital plans offset those impacts. These policies are further defined within the City's utility line extension policy and other development regulations.
- d. Leases – The City may authorize the use of lease financing for certain operating equipment when it is determined that the cost benefit of such an arrangement is advantageous to the City.
- e. Impact Fees – The City will impose impact fees as allowable under state law for transportation, both water and wastewater services. These fees will be calculated in accordance with statute and reviewed at least every three years. All fees collected will fund projects identified within the Fee study and as required by state laws.

V. EXPENDITURE MANAGEMENT

- A. Appropriations – The point of budget control is at the department level budget for all funds. The *Charter (Section 6.03)* provides that any transfer of appropriation between funds must be approved by the City

Council and that the City Manager, without City Council approval, is authorized to transfer appropriations among departments, within the same operational division and fund.

- B. **Expenditure Monitoring** – Expenditures and encumbrances will be regularly compared to budget, variances will be investigated, and any abnormalities will be included in the quarterly report to the City Council. Projected year-end expenditures will be reported in the annual budget.
- C. **Personnel Costs** – Costs related to salaries and benefits are budgeted at 100% total costs, assuming open positions are filled throughout the fiscal year. New positions that are added during the budget process may have staggered hire dates with appropriate costs reflected in the budget.
 - 1. **Vacancy Factor** – Major Funds with Personnel Budgets will include a vacancy factor of at least 1% of total fund salaries and related benefits (retirement, FICA, Medicare) to offset salary savings within the budget. The vacancy factor will be budgeted as a negative expense within the fund. This factor will be reduced throughout the year as vacant positions are recognized within the department budget.

Compliance Status – General Fund, Electric Fund, Water Fund and Joint Services Fund FY202~~21~~ in compliance.

- 2. **Benefit Payout Reserve** – The City will establish a benefit payout reserve equal to 15% of the accrued benefit liability for employees in the General and Joint Services Funds who are currently eligible to retire. Only terminating employee benefit expenses may be paid from this reserve. This reserve shall be funded as an offset to the vacancy factor.

Compliance Status – Benefit payout reserve FY202~~21~~ in compliance.

- 3. **Position Control** – The annual budget includes a set number of positions within departments when approved and adopted by City Council. Additional positions cannot be added without approval of the City Council. The City Manager may approve the transfer of authorized positions between departments if funds are available within the department.
 - 4. **Use of Excess Salary Savings** – Departmental savings generated due to open positions or other salary line item savings cannot be spent by the department unless previously approved by the City Manager and validated by Finance as excess funds.
- D. **Special Purpose Funding** – In order to support community assistance programs, the City designates specific funding for special purposes, including Strategic Partnerships for Community Services~~social Services, Children's Programs~~, and Public Art. The City reserves the ability to cap this special purpose funding when necessitated by budget contingency or compliance issues, such as revenue shortfalls, or other reasons as determined by City Council.
 - 1. **Strategic Partnerships for Community Services** – The City of Georgetown values partnerships with organizations that are committed to addressing our communities' greatest public challenges and has identified key priorities in the following areas:
 - a. Public Safety
 - b. Transportation
 - c. Housing

- d. Parks & Recreation
- e. Veteran Services
- f. Safety Net

The City has targeted funding for these programs to be \$5.00 per capita, which may be adjusted to offset the effects of general inflation based upon Consumer Price Index. If previous funding levels are higher than the targeted amount, and to avoid significant reductions in levels of funding, the City Council shall seek to attain this target chiefly through population growth. These funds will be allocated and paid according to the City Council's guidelines for such programs.

Compliance Status – FY2022~~1~~ in compliance.

2. **Public Art Funding** – The City will annually allocate ~~\$43,000~~ up to 15% of budgeted Hotel Occupancy Tax revenue, the maximum allowed by state law, of funding for Public Art in the Tourism Fund. Any unspent funds will accumulate and be reallocated in the following budget year. Disbursement of these funds will be determined by the City's Arts & Culture Advisory Board.

Compliance Status – FY2022~~1~~ in compliance.

Every effort will be made to include public art funding in future City facilities whose primary purpose is for public use. These projects will include a reasonable allowance for public art that fits the scope and purpose of the building so long that it does not negatively impact the project cost beyond the original budget. In the event there is cost savings in the construction of City Facilities, the City Council may consider utilizing that savings on the purchase of public art for the facility.

- E. **Purchasing** – The City will maintain and regularly review written Purchasing Policies. All City purchases of goods or services will be made in accordance with the City's Charter, current Purchasing Policy and with State law.

The following table shows a summary of requirements for purchases of goods and services and does not substitute the formal Purchasing Policies.

Dollar Limits:	Procurements:	Requirements:
\$3,000 and less	Under the small purchase limit	No competitive bids and City credit cards may be used.
\$3,001 up to \$50,000	Within informal bid limit	A minimum of three informal competitive solicitation for bids required unless exempted; Historically Underutilized Business (HUB) requirements apply in accordance with state law.
\$50,001 and above	In excess of the informal bid limit	Formal solicitations, which includes public notices, required unless exempted. Advisory board review and recommendation <i>may</i> be required. Council approval required.

Common exemptions to the formal solicitation process include the procurement of professional services, the purchase of goods or services from a sole source provider, and purchases for public health emergencies.

In addition to the above, all purchases must be approved according to signature authority limits.

- F. **Contracts, Change Orders and Amendments** – Contracts and related change orders and amendments must follow the City’s Purchasing Policies and State Law. Contract term lengths should balance the need for value as well as the ability to respond to changing conditions.

- G. **Prompt Payment** – In accordance with State Law, all invoices approved for payment by the proper City authorities shall be paid within thirty (30) calendar days of receipt of goods or services or invoice date, whichever is later in accordance with State law. The City will take advantage of all purchase discounts, when possible.

- H. **Risk Management** – The City will pursue every opportunity to provide for the Public’s and City employees’ safety and to manage its risks. The goal shall be to minimize the risk of loss of resources through liability claims with an emphasis on safety programs.

- I. **Retirement Benefits** – Proposals to revise benefits administered and provided by the Texas Municipal Retirement System shall include a written description, and, detailed and summary numerical assessments of the changes that would result from the proposed benefit revision.
 - 1. The numerical assessments shall include the following:
 - a. The estimated change to the TMRS contribution rate that would result from the proposed change in benefits, expressed as a percentage of employee pay and as an annual dollar amount to the General Fund and to each City fund.
 - b. The estimated change to the City’s unfunded pension liability, expressed as a dollar amount.
 - c. The estimated change to the City’s actuarial funding ratio.
 - 2. The description and numerical assessments must be provided to the City Council at least 72 hours prior to consideration and approval, and must be read aloud to the Council prior to Council consideration.
 - 3. The estimated changes to the City’s contribution rate and the unfunded pension liability presented pursuant to the section must be based on information provided by the TMRS actuary or by a professional actuary authorized by the TMRS to provide such information.
 - 4. Proposals to revise TMRS benefits must be voted on individually as part of the City Council’s legislative agenda.
 - 5. The City will amortize any unfunded actuarial liability (UAAL) over a period not to exceed the amortization period used by the TMRS actuary. The City may amortize its UAAL more quickly by making contributions to TMRS in excess of the rate specified by TMRS.

6. The City may elect to pay a higher contribution rate than required by the TMRS, to reduce the City's unfunded pension liability. Such payment will be approved and authorized by the City Council as part of the City's annual budget process.

J. Retirement Cost-of-Living Adjustment

1. Within 60 days of when the TMRS annual funding update becomes available each year, staff will review and may prepare a summary of costs and options for potential cost-of-living adjustment (COLA) for City of Georgetown retirees.
2. Consistent with state statutes governing the Texas Municipal Retirement System, the City may provide an automatic COLA for members of the TMRS who are retired from the City of Georgetown and receiving a monthly retirement benefit from the TMRS.
3. The City Council may adjust the COLA provided to city retirees based upon the funding level of the City's pension plan, as calculated by the TMRS, as follows:

When the funding level of the City's pension plan is	The COLA should be
Less than 70.0%	Zero
70.0% to 79.9%	0.3% of CPI
80.0% to 89.9%	0.5% of CPI
90.0% and greater	0.7% of CPI

4. Adjustments made pursuant to *Subsection J.3.* should reflect the reciprocal effect of the prospective change in the COLA on the funding level of the City's pension plan.

- K. **Deferred Compensation Benefits** – In addition to the retirement benefit administered by the TMRS, the City will sponsor a Deferred Compensation 457 plan and ROTH plan, which ~~are~~is a supplementary individual retirement savings plans. The City will encourage employee participation in the ~~these~~is planss.

VI. STAFFING AND COMPENSATION

City Council and Management recognize the importance of attracting, hiring, developing, and retaining the best people, and compensating them for the value they create. Our outstanding and innovative City employees work diligently to bring the Vision of Council to life and deliver exceptional services to our customers while exemplifying our Core Values. The following programs are subject to available funding in the annual operating budget.

- A. **Adequate Staffing** – Staffing levels will be adequate for the fiscal functions of the City to operate effectively. Workload allocation alternatives will be explored before adding additional staff.

B. **Competitive Compensation** – In order to maintain a competitive pay scale, the City has implemented a ***Competitive Employee Compensation Maintenance Program*** to address competitive market factors and other issues impacting compensation. The program consists of:

1. **Annual Pay Plan Review** – To ensure the City’s pay system is accurate and competitive within the market, the City will review its pay plans annually for any potential market adjustments necessary to maintain the City’s competitive pay plans.
2. **Pay for Performance** – Each year the City will fund performance based pay adjustments for regular non-public safety personnel. This merit-based program aids in retaining quality employees by rewarding their performance. Pay for Performance adjustments are based on the employee’s most recently completed performance evaluation.
3. **Public Safety Steps** – Each year the City will fund anniversary step increases for public safety sworn personnel consistent with public safety pay scale design.

C. **Self-Insurance Program** – The City is committed to providing quality healthcare insurance that offers the most flexibility in health benefits and options to its employees. In order to provide the most cost effective solution, the City has determined that establishing a self-funded health insurance plan offers the greatest opportunity to mitigate future cost increases while offering quality health care services to its employees. The City has established a mechanism to manage the accounts and payments associated with this program. Per GASB Statement No. 66, such funding should be accounted for as an Internal Service Fund (ISF).

1. **Employee Health Insurance ISF** – This fund contains premium contributions from employees and budgeted health insurance contributions included in the City’s annual budget process. To maintain stable revenue to this fund, and to clearly set expenditure expectations for departments, any budgeted appropriations for employee health insurance that are unused at the end of each fiscal year will be transferred back to the self-insurance fund.
2. **Self-Insurance Reserves** – Annually through the budget process, staff and the City’s Health Benefit Consultant firm will evaluate and recommend to Council the appropriate funding levels for two reserves.
 - a. Incurred but Not Reported (IBNR) Reserve: In the event the City stopped self-insuring for health benefits and was required to pay incurred costs, the City will reserve ~~between 5 and 10~~ percent of the annual costs of claims, benefit administration and stop loss coverage.

Compliance Status – IBNR reserve FY202~~21~~ in compliance.

- b. Rate Stabilization Reserve: To alleviate shocks to the City and employees due to sharp increases in health insurance costs, the City will reserve between 10 and 20 percent of annual medical claims, benefit administration and stop loss coverage. Staff and the benefits consultant will consider a 3 year forecast on premiums when determining to utilize the funds or rebuild the reserve.

Compliance Status – Rate stabilization reserve FY202~~21~~ in compliance.

3. **Employee Premiums** – Annual premiums will be recommended to City Council through a collaborative process between the City’s Employee Benefit Committee and external Health Benefits consulting firm using historical data, reserves history and other analytic analysis.

VII. FUND BALANCE POLICIES

The City’s Fund Balance is the accumulated difference between assets and liabilities within **governmental funds**, and it allows the City to meet its contractual obligations, fund disaster or emergency costs, provide cash flow for timing purposes and fund non-recurring expenses appropriated by City Council. This policy establishes limitations on the purposes for which Fund Balances can be used in accordance with Governmental Accounting Standards Board (GASB) Statement Number 54.

The City’s Fund Balance will report up to five components:

- A. **Non-spendable Fund Balance** – includes inherently non-spendable assets that will never convert to cash, as well as assets that will not convert to cash soon enough to affect the current financial period. Assets included in this category are prepaid items, inventory and non-financial assets held for resale.
- B. **Restricted Fund Balance** – represents the portion of fund balance that is subject to legal restrictions, such as grants or hotel/motel tax and bond proceeds.
- C. **Committed Fund Balance** – describes the portion of fund balance that is constrained by limitations that the City Council has imposed upon itself, and remains binding unless the City Council removes the limitation.
- D. **Assigned Fund Balance** – is that portion of fund balance that reflects the City’s *intended* use of the resource and is established in a less formal method by the City for that designated purpose.
- E. **Unassigned Fund Balance** – represents funds that cannot be properly classified in one of the other four categories.

VIII. LONG-TERM LIABILITY RESERVES

The City of Georgetown recognizes certain long-term unfunded commitments and contingencies that will require substantial funding at some point in the future. The City is committed to addressing these commitments in a fiscally prudent method by acknowledging their future financial impacts and developing strategies and designated reserve funds to mitigate those future impacts.

- A. ***The Finance Director will maintain a list of unfunded liabilities.*** The list will be included in the quarterly financial report to Council and considered during the annual budget process.

IX. BUDGET CONTINGENCY PLAN

This policy is designed to establish general guidelines for managing revenue shortfalls resulting from local and national economic downturns that adversely affect the City's revenue streams.

- A. **Immediate Action** – Once a budgetary shortfall is projected, the City Manager will take the necessary actions to offset any revenue shortfall with a reduction in current expenses. The City Manager may:
 1. Freeze all new hire and vacant positions except those deemed to be a necessity.
 2. Review all planned capital expenditures.
 3. Delay all "non-essential" spending or equipment replacement purchases.

The City Manager shall report in a timely manner to the City Council the projected shortfall and the actions taken to resolve it.

B. **Further Action** – If the actions identified in subsection A are insufficient to offset the projected revenue deficit for the current fiscal year, the City Council may approve the following actions, in the order listed:

1. Apply unspent, unobligated surplus funds from prior fiscal years to fund one-time costs in the current fiscal year budget.
2. Authorize the use of the General Fund Economic Stability Reserve , contingency reserves, capital reserves or any other reserves appropriate as outlined in the sections XII. CAPITAL MAINTENANCE AND REPLACEMENT and XV. FINANCIAL CONDITIONS, RESERVES, AND STABILITY RATIOS
3. Direct other reductions in services, including workforce reductions.
4. Authorize a temporary reduction in one or more fund’s contingency reserves from 90 days to 75 days.

C. **Replenish Fund Balance** – Generally, if any existing reserve is used as described above in the budget contingency plan, the reserve should be restored in the next fiscal year. If the restoration within one year is impractical or places an undo strain of City services, staff shall recommend to Council an alternative timeline that is subject to Council approval.

X. CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET

The City’s goal is to maintain City facilities and infrastructure in order to provide excellent services to the customers within the community, meet growth related needs, and comply with all state and federal regulations.

A. **Preparation** – The City annually updates and adopts a five-year Capital Improvement Program (CIP) schedule as part of the operating budget adoption process. The plan is reviewed and adjusted annually as needed, and year one is adopted as the current year capital budget. The capital budget will include all capital projects, capital resources, and estimated operational impacts.

1. Needed capital improvements are identified through system models, repair and maintenance records and growth demands.
2. A team approach will be used to prioritize CIP projects, whereby City staff from all operational areas provide input and ideas relating to each project and its effect on operations.
3. Citizen involvement and participation will be solicited in formulating the capital budget through master planning processes, board meetings, public hearings and other forums.
4. Capital infrastructure necessary to meet the requirements of the City’s Annexation Plan will be identified separately within the CIP plan, so that funding alternatives can be developed if needed.

Prior to Council approval, the following Advisory Boards will review the Capital Projects budget and contracts for expenditures:

Electric Utility Board	Water Utility Board	Georgetown Transportation Advisory Board (GTAB)	General Government and Finance Advisory Board (GGAF)	Parks Advisory Board	Georgetown Transportation Enhancement Corporation (GTEC)
Electric	Water Wastewater	Streets Stormwater Drainage Airport	Facilities, Fleet, IT and Other General Government Capital Projects	Parks and Recreation	Transportation projects related to economic development

- B. **Control** – All capital project expenditures must be appropriated in the capital budget.
- C. **Financing Programs** – Where applicable, assessments, impact fees, pro rata charges, or other fees should be used to fund capital projects which have a primary benefit to specific identifiable property owners. Debt financing is referenced in *Section XIV. Debt Management* of this document.

XI. CAPITAL MAINTENANCE AND REPLACEMENT

The City recognizes that deferred maintenance increases future capital costs. Therefore, a portion of all individual funds with infrastructure should be budgeted each year to maintain the quality within each system.

- A. **Infrastructure Maintenance** – On-going maintenance and major repair costs are included as expense within the departmental operating budgets. These costs are generally considered system repairs and are not capitalized for accounting purposes. They include such items as park and recreation facility repairs, street repair, water line repairs and other general system maintenance.
- B. **Modified Approach — Pavement Condition Index (PCI)** — Governmental Accounting Standards Board Statement # 34 provides for an alternative approach to depreciation for measuring the value of infrastructure assets and the related costs incurred to maintain their service life at a locally established minimum standard. The City has elected to implement this modified approach in maintaining its non-enterprise fund infrastructure assets. In order to adopt this alternative method, the City has implemented an asset management system that determines if the minimum standards are being maintained. This measurement system will be updated at least every 3 years.

The City uses a Pavement Management Information System to track the condition levels of each of the street sections. The condition of the pavement is based on the following factors:

- Type of Distress
- Amount of Distress
- Severity of Distress
- Deduct Values (function of first three)

The Pavement Condition Index (PCI) is a measurement scale is based upon a condition index ranging from zero for a failed pavement to 100 for pavement with perfect condition. The condition index is used to classify pavement in the following conditions:

PCI	Rating
100 – 85	Good
85 – 45	Fair
45 – 0	Poor

The City’s administrative policy is to achieve an average PCI level of 85. An 85 PCI is considered maintaining the streets in a “good” condition. Staff will prepare a street maintenance budget that meets this target for Council’s consideration during the budget process. The PCI level as of 2018 was 85.5.

- C. **Internal Service Funds Capital Maintenance & Replacement** – The City currently utilizes internal service funds to maintain and replace existing assets. Assessments are made to other funds for the use of existing equipment and to purchase new equipment. In this way, suitable funds are available for the purchase of operational assets without the issuance of debt.

1. **Fleet Maintenance and Replacement** – The City has a major investment in its fleet of cars, trucks, tractors, and other equipment. The City will anticipate replacing existing equipment, as necessary and will establish charges that are assigned to the using departments to account for the cost of that replacement. Vehicle maintenance is also allocated in this manner. The targeted asset replacement reserve amount is the average (1/5th) of the next five years on the replacement schedule for cash-funded vehicles.

Compliance Status – Fleet replacement reserve FY202~~21~~ in compliance.

It is the general policy of the City not to hold back vehicles or equipment from replacement or disposition. Departmental requests to hold back units must be approved by the Fleet Manager and the City Manager.

2. **Technology** – It is the policy of the City to plan and fund the maintenance and replacement of its computer network and other technology systems. A reserve will be established within the ISF for replacement of major systems and will be funded over time through excess revenues within the Fund. The targeted amount is the average (1/5th) of the next five years on the replacement schedule. While cash funding is preferred, major IT systems and projects may require debt that is amortized over a shorter useful life appropriate for the software or hardware.

Compliance Status – IT replacement reserve FY202~~21~~ in partial compliance. The IT Fund will need to increase recovery rates in future years to cover the purchase of the fiber asset from the Electric Fund and restore the capital reserve.

3. **Facilities Maintenance** – The City has established an on-going maintenance program, which includes major repairs, equipment, as well as contracts for maintaining City facilities. The City has anticipated a useful life of such equipment and established a means of charging those costs to the various departments in order to recognize the City’s continuing costs of maintaining its facilities. Determination for facility repairs is based on useful life of the various elements of each facility. A

proportional cost for each element is expensed within the budget for capital replacement. The targeted replacement reserve amount is the average (1/5th) of the next five years on the replacement schedule.

Compliance Status – Facilities replacement reserve FY202~~21~~ partial compliance. ~~Due to the economic impacts of the pandemic, the City has elected not to increase recovery rates to build the reserve to compliance. It is estimated to take 2 additional years to build the replacement reserve.~~

D. **Departmental Capital Maintenance & Replacement** – The City also utilizes department capital maintenance and replacement schedules for specialized assets and equipment necessary to provide services.

1. **Parks and Recreation** – As part of the City’s on-going maintenance program, the City also recognizes the need to regularly maintain and replace playgrounds, equipment and facilities that are part of the City’s Parks and Recreation system. Separate replacement and maintenance schedules will be maintained for these items including, but not limited to, playground equipment, buildings, sport courts, trees and grounds, and restroom facilities. The City’s goal is to provide level on-going funding to ensure safe, well-maintained facilities for its citizens. The current funding level is an annual \$297,000 transfer from the General Fund.

Compliance Status – Parks maintenance replacement FY202~~21~~ in-partial compliance. ~~Due to the economic impacts of the pandemic, the General Fund is transferring \$50,000.~~

2. **Public Safety Equipment** – As part of the City’s on-going maintenance program, the City also recognizes the need to regularly maintain and replace specialized equipment in Police and Fire. Separate replacement and maintenance schedules will be maintained for these items including but not limited to for Fire: SCBA’s and other firefighting equipment and protective gear; and for Police: bullet proof vests, armaments and other tactical equipment. The City’s goal is to provide level on-going funding to ensure proper protection for employees and residents. The current funding level is an annual appropriation in the General Fund of \$80,000 for Fire and \$88,000 for Police.

Compliance Status – Public safety equipment replacement FY2021 in-partial compliance. ~~Due to the economic impacts of the pandemic, reductions were made to General Fund base budgets including public safety equipment.~~

E. **Surplus Property**

1. From time to time it is necessary to dispose of certain vehicles or equipment that have been procured with City funds and used in City services. Individual surplus property items with expected sales value in excess of \$50,000 must be approved by the City Council prior to disposition.
2. City staff will maintain reports and records of all surplus property dispositions in accordance with good internal controls.

XII. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

- A. **Accounting** – The City is solely responsible for the recording and reporting of its financial affairs, both internally and externally. The Finance Director is responsible for establishing the structure for the City’s

Chart of Accounts and for assuring that procedures are in place to properly record financial transactions and report the City's financial position.

- B. **General Government and Finance Advisory Board (GGAF)** – The City may establish a subcommittee consisting of at least 2 City Council members and not more than 3 citizens that may meet monthly to provide additional oversight to the City's Finance operations. This subcommittee will also review general government items that are not reviewed by another City advisory board before being presented to City Council. The City's Finance Director will be the liaison for this subcommittee.
- C. **Audit of Accounts** – In accordance with the *Charter*, an independent audit of the City accounts will be performed every year. The auditor is retained by and is accountable directly to the City Council. The auditing firm will serve for up to 5 years, at which time, the City will re-bid these services and change firms if deemed necessary by GGAF and City Council.
- D. **External Reporting** – Upon completion and acceptance of the annual audit by the City's auditors, the City shall prepare a written ~~Comprehensive~~ Annual Financial Report (~~CAFR~~) which shall be presented to the City Council within 180 calendar days of the City's fiscal year end. The ~~CAFR~~ report shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP) and shall be presented annually to the Government Finance Officer Association (GFOA) for evaluation and consideration for the Certificate of Achievement in Financial Reporting.

XIII. ASSET MANAGEMENT

- A. **Cash Management and Investments** – The City Council has formally approved a separate Investment Policy for the City of Georgetown that meets the requirements of the Public Funds Investment Act (PFIA), Section 2256 and 2257 of the Texas Local Government Code. This policy is reviewed annually by the City Council and applies to all financial assets held by the City and applies to all entities (component units) included in the City's ~~Comprehensive~~ Annual Financial Report (~~CAFR~~) and/or managed by the City. Refer to the separate policy for details regarding:
 - 1. Statement of Cash Management Philosophy
 - 2. Objectives
 - 3. Safekeeping and Custody
 - 4. Standard of Care and Reporting
 - 5. Investment Strategies
 - 6. Authorized Investments and Approved Broker/Dealer List.
- B. **Fixed Assets** – These assets will be reasonably safeguarded and properly accounted for, and prudently insured.
 - 1. **Capitalization Criteria** – For purposes of budgeting and accounting classification, the following criteria must be met in order to be capitalized:
 - a. The asset owned by the City

- b. The expected useful life of the asset must be longer than one year, or extend the life of an identifiable existing asset by more than one year
- c. The original cost of the asset must be at least \$5,000
- d. The asset must be tangible, or uniquely intangible like a trademark.

On-going repairs and general maintenance are not capitalized. Public Education and Government (PEG) Funds will capitalize assets in aggregate over \$1,000 on an annual basis.

- 2. New Purchases – All costs associated with bringing the asset into working order will be capitalized as part of the asset cost. This will include startup costs, engineering or consultant type fees as part of the asset cost once the decision or commitment to purchase the asset is made. The cost of land acquired should include all related costs associated with its purchase. Appropriate personnel and overhead costs are capitalized in the Electric fund.
- 3. Improvements and Replacement – Improvements will be capitalized when they extend the original life of an asset or when they make the asset more valuable than it was originally. The replacement of assets components will normally be expensed unless they are a significant nature and meet all the capitalization criteria.
- 4. Contributed Capital – Infrastructure assets received from developers or as a result of annexation will be recorded as equity contributions when they are received.
- 5. Distributions Systems – All costs associated with public domain assets, such as streets and utility distribution systems, lines will be capitalized in accordance with the capitalization policy. Costs should include engineering, construction and other related costs including right of way acquisition. For the Electric Distribution system, all component parts associated with a capital project shall be accounted for and capitalized in accordance with the Federal Energy Regulatory Commission (FERC) guidelines. These are an exception to the capitalization criteria above.
- 6. Reporting and Inventory – The Finance Division will maintain the permanent records of the City's fixed assets, including description, cost, department of responsibility, date of acquisition, depreciation and expected useful life. Periodically, random sampling at the department level will be performed to inventory fixed assets assigned to that department. Responsibility for safeguarding the City's fixed assets lies with the department supervisor or manager whose department has been assigned the asset.

XIV. DEBT MANAGEMENT

The City of Georgetown recognizes the primary purpose of capital facilities is to provide services to the community. Using debt financing to meet the capital needs of the community must be evaluated according to efficiency and equity. Efficiency must be evaluated to determine the highest rate of return for a given investment of resources. Equity is resolved by determining who should pay for the cost of capital improvements. In meeting demand for additional services, the City will strive to balance the needs between debt financing and "pay as you go" methods. The City realizes that failure to meet the demands of growth may inhibit its continued economic viability, but also realizes that too much debt may have detrimental effects on the City's long-range financial condition.

The City will issue debt only for the purpose of acquiring or constructing capital assets for the general benefit of its citizens and to allow it to fulfill its various purposes as a city. The City will seek input on major projects funded with debt via bond elections, master planning exercises, board meetings, budget workshops, and other methods as needed.

A Debt Condition Update report will be provided annually.

A. **Usage of Debt** – Long-term debt financing will be considered for non-continuous capital improvements of which future citizens will benefit. Alternatives for financing will be explored prior to debt issuance and include, but not limited to:

- Grants
- Use of Reserve Funds
- Use of Current Revenues
- Contributions from developers and others
- Leases
- Impact Fees

When the City utilizes long-term financing, it will ensure that the debt is soundly financed by conservatively projecting revenue sources that will be used to pay the debt. It will not finance the improvement over a period greater than the useful life of the improvement and it will determine that the cost benefit of the improvement, including interest costs, is positive to the community.

The City may utilize the benefits of short-term debt financing to purchase operating equipment provided the debt doesn't extend past the useful life of the asset and the potential impact to the tax rate is within policy guidelines.

B. Types of Debt

1. General Obligation Bonds (GO's) – General obligation bonds must be authorized by a vote of the citizens of Georgetown. They are used only to fund capital assets of the general government and are not to be used to fund operating needs of the City. The City's ad valorem taxing authority backs general obligation bonds. Conditions for issuance of general obligation debt include:

- a. When the project will have a significant impact on the tax rate;
- b. When the project may be controversial even though it is routine in nature; or
- c. When the project falls outside the normal bounds of projects the City has typically done.

For debt programs that include multiple projects that will be issued over multiple years at the discretion of the City Council, the City may approve an ***Agreement with the Voters*** to manage future property tax rate impacts. The Agreement with the Voters will be included in educational information for all applicable GO Bond elections, and will include a maximum **annual** tax rate increase and a cumulative total per bond authorization maximum tax rate increase. The City will include these impacts in its annual Debt Condition report.

The City Council will carefully manage the ***unissued GO Bond authorization*** through annual review of related projects to ensure full disclosure on future timing of projects included in the bond package. Timing of authorized projects and related bond issuance will be included in the Annual Budget and published on the City's website. Any changes to this schedule require specific Council authorization.

2. Revenue Bonds – Revenue bonds will be issued to provide for the capital needs of any activities where the capital requirements are necessary for the continuation or expansion of a service. The improved activity shall produce a revenue stream to fund the debt service requirements of the necessary improvement to provide service expansion. The average life of the obligation should not exceed the useful life of the asset(s) to be funded by the bond issue, and will generally be limited to no more than twenty (20) years. An exception can be made for plant expansions or related system expansions whose useful life is in excess of 30 years. A cost benefit analysis will be done to fully disclose the impacts of extending debt beyond 20 years.
3. Certificates of Obligation, Contract Obligations (CO's) – Certificates of obligation or contract obligations may be used to fund capital requirements that are not otherwise funded by general obligation or revenue bonds. Debt service for CO's may be either from general revenues (tax-supported) or supported by a specific revenue stream(s) or a combination of both. Typically, the City may issue CO's when the following conditions are met:
 - a. When the proposed debt will have minimal impact on future effective property tax rates;
 - b. When the projects to be funded are within the normal bounds of City capital requirements, such as for roads, parks, various infrastructure and City facilities and equipment; and
 - c. When the average life of the obligation does not exceed the useful life of the asset(s) to be funded by the issue.

Certificates of obligation will be the least preferred method of financing and will be used with prudent care and judgment by the City Council during the budget development process.

4. Self-supporting Certificates of Obligation Debt – Refers to certificates of obligation issued for a specific purpose and repaid through dedicated revenues other than ad valorem taxes. The annual debt requirements are not included in the property tax calculation. Both the Airport and Stormwater Drainage funds will issue this type of debt. In addition, the Electric and Water Services Funds can utilize this method of funding non-system capital assets. The City also issues debt on behalf of the Georgetown Transportation Enhancement Corporation (GTEC) and the Georgetown Economic Development Corporation (GEDCO) whom then pledge 4A and 4B sales tax revenue for the repayment of that debt. Tax Increment Reinvestment Zones also may issue self-supporting debt.

5. Internal borrowing between City Funds – The City Council can authorize use of existing long-term reserves as formal loans between funds. The Council will consider the following circumstances:
 1. The emergency or other circumstances and why an internal loan is the best viable option;
 2. The dollar amount of the loan will be within the core balance reserves of the lending fund and will otherwise not be restricted by local or state regulation;
 3. The borrowing fund will repay the loan at a rate consistent with current market conditions. ~~The loan will be considered an investment of working capital reserves by the lending fund.~~ The interest rate will be comparable to prevailing investment rates for public funds at the time the loan is made; and a fixed, variable or other rate structure will be defined at the time the loan is approved;
 4. The maximum maturity will be ~~loan will be repaid within ten (10) three (3) years. The loan will be considered an investment of working capital reserves by the lending fund.~~
 5. A reimbursement resolution may be used to reimburse a short-term loan (up to 1 year maturity) with long-term debt proceeds;
 - 1.6. Formal loans will be appropriately recorded and reported.

6. Refundings – The City Council may refinance debt to achieve interest cost savings as market conditions change, or to remove restrictive covenants, or to further other City goals as expressed by Council. The City's Financial Advisor will prepare refunding analysis for consideration and demonstrate that the savings of the refinancing are greater than the costs to refinance, with a target minimum net present value savings of 3-5%.

7. Other Short-term Borrowing – The City may authorize the issuance of Public Property Finance Contractual Obligations (PPFCO) which is short-term obligations for the acquisition of personal public property, such as equipment. PPFCOs are payable from either ad valorem taxes or another dedicated revenue stream. Each issuance will be assessed to ensure cost effectiveness and the repayment schedule will not exceed the useful life of the asset. Multiple equipment acquisitions can be grouped in a single PPFCO issue in order to develop economies of scale.

In FY2021, the City issued a \$48 million PPFCO for the energy costs of Winter Storm Uri. The Council approved a 9.5 year term with a 5 year call option. Because energy costs are an ongoing operating expense, it is the intent of the City to review all options to pay off this debt issue as soon as possible, balanced against rate competitiveness, Electric fund liquidity, and other practical factors.

- C. Method of Sale – The City will use a competitive bidding process in the sale of bonds unless conditions in the bond market or the nature of the issue warrant a negotiated bid, private placement or other method. In such situations, the City will publicly present the reasons for the other method. The City will rely on the

recommendation of the financial advisor in the selection of the underwriter or direct purchaser. The financial advisor must meet all licensing requirements and comply with all Municipal Securities Rulemaking Board (MSRB) regulations. The City's financial advisor will not act as the underwriter on any City bond issue.

- D. **Disclosure** – Full disclosure of operating costs along with capital costs will be made to the bond rating agencies and other users of financial information. The City staff, with assistance of the financial advisor and bond counsel, will prepare the necessary materials for presentation to the rating agencies and will aid in the production of the Preliminary Official Statements. The City will take responsibility for the accuracy of all financial information released.
- E. **Federal Requirements** – The City will maintain written procedures to follow post issuance compliance rules, arbitrage rebate and other Federal requirements.
1. Post issuance tax compliance rules will include records retention, arbitrage rebate, use of proceeds, and
 2. Continuing disclosure requirements under SEC Rule 15c2-12, MSRB standards, or as may be required by bond covenants or related agreements.

F. **Debt Structuring** – The City ~~prefers to will~~ issue bonds with ~~an term average life~~ of twenty (20) years or less, not to exceed the useful life of the asset acquired. The structure should approximate level debt service unless operational matters dictate otherwise. Market factors, such as the effects of tax-exempt designations, the cost of early redemption options and the like, will be given consideration during the structuring of long term debt instruments. Exceptions to the 20 year ~~term average life~~ include debt issues for major system expansions, such as water, sewer or electric plants, in which case the City may issue debt greater than 20 years since the ~~useful average~~ life of the asset exceeds 30 years. A cost benefit analysis indicating the impacts of extending debt beyond 20 years will be completed.

Fixed interest rate basis will be preferred because it aids in predictable budget and multi-year forecasting for the issuing funds. Variable rate debt can sometimes allow early repayment with no penalty. Variable rate debt may be considered by the Council as a tool to provide flexibility in setting the tax rate and determine use of one-time available fund balances. The City's Financial Advisor will provide an analysis of the benefits of a variable rate structure versus interest rate risk, remarketing risk, and liquidity risk. Because variable rate debt introduces risk and administrative burden on staff and advisors, the amount of allowed variable rate debt will be limited to no more than ten percent (10%) of the City's outstanding debt principal per system (tax-supported, utility supported).

F.G. **Utility and Self-Supporting Debt Coverage Ratio** – Refers to the number of times all utility supported debt service requirements or payments would be covered by the current operating revenues net of on-going operating expenses of the City's combined utilities (Electric, Water, and Wastewater).

The City will maintain a minimum debt service coverage ratio of 1.5 times for the utilities as a whole. The bond ordinances allow the City to forego a debt reserve fund for its utility debt if the coverage is maintained at 1.35 times or better. A coverage ratio of 1.5 times will also be required for all funds issuing self-supporting debt (Airport, Stormwater, GTEC, GEDCO, PID and TIRZ).

Compliance Status – Debt coverage ratio FY202~~2~~1 in compliance.

- H. **Bond Reimbursement Resolutions** – The City may utilize bond reimbursements as a tool to manage its debt issues, due to arbitrage requirements and project timing. In so doing, the City uses its capital reserve cash to delay bond issues until such time when issuance is favorable and beneficial to the City.

The City Council may authorize a bond reimbursement resolution for General Capital projects that have a direct impact on the City's ad valorem tax rate when the bonds will be issued within the term of the existing City Council. In the event of unexpected circumstances that delay the timing of projects, or market conditions that prohibit financially sound debt issuance, the approved project can be postponed and considered by a future council until circumstantial issues can be resolved.

The City Council may also authorize revenue bond reimbursements for approved utility and other self-supporting capital projects within legislative limits. Currently revenue bonds must be issued within 18 months after an eligible bond funded project is begun.

The total outstanding bond reimbursements may not exceed the total amount of the City's reserve funds.

XV. FINANCIAL CONDITIONS, RESERVES, AND STABILITY RATIOS

The City of Georgetown will maintain budgeted minimum reserves in the ending working capital/fund balances to provide a secure, healthy financial base for the City in the event of a natural disaster or other emergency, allow stability of City operations should revenues fall short of budgeted projections and provide available resources to implement budgeted expenditures without regard to actual timing of cash flows into the City. Generally, if any existing reserve is used to cover expenses as described, the reserve should be restored in the next fiscal year. If the restoration within one year is impractical or places and undo strain of City services, staff shall recommend to Council an alternative timeline that is subject to Council approval.

- A. **Operational Coverage** – The City's goal is to maintain operations coverage of 1.0 (one), such that operating revenues will at least equal or exceed current operating expenditures. Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used only for emergencies or non-recurring expenditures, except when balances can be reduced because their levels exceed guideline minimums as stated below.

1. **Operating Reserves** – The City will maintain reserves at a minimum of seventy-five (75) days (20.83%) of net budgeted operating expenditures. Net budgeted operating expenditure is defined as total budgeted expenditures less interfund transfers and charges, capital improvements, direct cost for purchased power, debt service, non-operating special revenue funds and payments to third party grant agents. The amount of these funds are allocated within the following operating funds and using the following guidelines to maintain the fund balance, working capital and retained earnings (reserves) of the various operating funds at levels sufficient to protect the City's creditworthiness, as well as, its financial position from unforeseeable emergencies. For asset replacement reserves, see *Section XI. Capital Maintenance and Replacement*.

Compliance Status – 75 day citywide reserves FY202~~2~~¹ in compliance.

2. **General Fund** – General Fund reserves will be assigned on the balance sheet. Reserves are allocated as follows:

- a. Base Level Reserve – will equal ninety (90) days, or 25%, of current year budgeted operating expenditures designated for emergency use only.

Compliance Status – General Fund 90 day Reserve FY202~~21~~ in compliance.

- b. Economic Stability Reserve – will equal up to 6% of current year budgeted operating expenditures. The reserve will be designated to temporarily offset a decline in any General Fund revenue source during the current fiscal year or in planning the future budget year. The reserve may be used when growth in any General Fund revenue source from one fiscal year to the next is below zero. The reserve will be available to support only existing programs approved in a prior fiscal year.

Compliance Status – General Fund Stability Reserve FY202~~21~~ at ~~23~~%.

3. Tourism Fund – A minimum ninety (90) days of operating expenditures will be reserved within the fund balance. These funds are designated to be used to offset any potential revenue shortfall that occurs during the fiscal year.

Compliance Status – Tourism Fund Reserve FY202~~21~~ in compliance.

4. Joint Services Fund – A minimum ninety (90) days of operating expenses will be reserved for unexpected delays in revenue or emergency expenses.

Compliance Status – Joint Services Fund Reserve FY202~~21~~ partial compliance. ~~Due to the economic impact of the pandemic, the City is not increasing recovery rates to build this reserve. It is estimated to take approximately 3 years to build the reserve to 90 days.~~

5. Fleet Fund – A minimum ninety (90) days of operating expenses will be reserved for unexpected delays in revenue or emergency expenses.

Compliance Status – Fleet Fund Reserve FY202~~21~~ in compliance.

6. Facilities Fund - A minimum ninety (90) days of operating expenses will be reserved for unexpected delays in revenue or emergency expenses.

Compliance Status – Facilities Fund Reserve FY202~~21~~ in compliance.

7. Information Technology Fund - A minimum ninety (90) days of operating expenses will be reserved for unexpected delays in revenue or emergency expenses.

Compliance Status – IT Fund Reserve FY202~~21~~ in compliance.

8. Water Services Fund – The Water Fund will maintain the following reserves and assign them on the balance sheet. These reserves are designated to be used to offset potential revenue shortfalls or fund unexpected or emergency expenses that occur during the fiscal year.

- a. Operations Contingency Reserve – A minimum ninety (90) days or 25% of operating expenses, including wholesale water contracts and net of transfers, designated for unexpected or emergency use during the fiscal year.

Compliance Status – Operating Water Fund Reserve FY202~~21~~ in compliance.

- b. Non-Operating Contingency Reserve – to maintain continuity of debt payments, capital projects and to begin recovering from a natural disaster during the lag time of revenue recovery. This reserve will be evaluated annually as part of the budget process, considering the 5 year CIP and future debt requirements.

Compliance Status – Non-operating Water Fund Reserve FY202~~21~~ in compliance.

- 9. Stormwater Drainage Fund – The Stormwater Fund will maintain the following reserves and assign them on the balance sheet:
 - a. A minimum ninety (90) days or 25% of operating expenses, will be reserved in fund balance. These funds are designated to be used to offset any potential revenue shortfall that occurs during the fiscal year.

Compliance Status – Contingency Reserve FY202~~21~~ in compliance.

- b. A debt service reserve equal to 1x the upcoming debt service payment for existing debt (example - FY2020 reserve = FY2021 debt payment before new sale).

Compliance Status – Debt Service Reserve FY202~~21~~ in compliance.

- 10. Electric Fund – The Electric Fund will maintain the following reserves and assign them on the balance sheet:
 - a. Operations Contingency Reserve – A minimum ninety (90) days or 25% of operating expenses, net of transfers and purchased power, designated for unexpected or emergency use during the fiscal year.

Compliance Status – Operating Contingency reserve FY202~~21~~ in compliance.

- b. Rate Stabilization Reserve – Up to 3 months~~10%~~ of purchased power costs will be reserved to protect against energy market exposure and to maintain wholesale power contracts and stability until expenses are recovered through revenue generated in the Power Cost Adjustment Factor.

Compliance Status – Rate stabilization reserve FY202~~21~~ in compliance.

- c. Non-Operating Contingency Reserve – to maintain continuity and begin recovery process from a natural disaster during the lag time of revenue recovery:
 - 1% of historical rate base (total assets plus accumulated depreciation)
 - 1/5th of the average cash funded portion of the 5 year CIP
 - At least 50% of annual debt service payment

Compliance Status – Non-operating reserve FY202~~21~~ in ~~partial~~ compliance. It is estimated to take 1-years to complete this reserve after enacting the new cost of service rate structure and PCA.

- d. Uses of Unanticipated and Unappropriated Electric Fund Balances – In the event that fund balance in the Electric Fund exceeds recommended minimum cash as enumerated in the above reserves, the funds may be used for the following purposes as approved by the City Council:
- Reduce the Power Cost Adjustment
 - Reduce outstanding utility debt
 - Fund capital projects
 - Fund other one-time projects or equipment
11. Airport Fund – The Airport Fund will maintain the following reserves and assign them on the balance sheet;
- a. A contingency reserve of ninety (90) days of operating expenses will be maintained in the fund for unforeseen or emergency expenditures. The reserve will represent all operating expenses minus fuel costs and any transfers.

Compliance Status – Contingency Reserve FY202~~21~~ in compliance.

- b. A debt service reserve equal to 1x the upcoming debt service payment for existing debt (example - FY2020 reserve = FY2021 debt payment before new sale).

Compliance Status – Debt Service Reserve FY202~~21~~ in compliance.

12. GEDCO Fund –

- a. A contingency reserve equal to 25% of budgeted sales tax revenue.

Compliance Status – Contingency Reserve FY202~~21~~ in compliance.

- b. A debt service reserve equal to 1x the upcoming debt service payment for existing debt (example - FY2020 reserve = FY2021 debt payment before new sale).

Compliance Status – Debt Service Reserve FY202~~21~~ in compliance.

13. GTEC Fund –

- a. A contingency reserve equal to 25% of budgeted sales tax revenue.

Compliance Status – Contingency Reserve FY202~~21~~ in compliance.

- b. A debt service reserve equal to 1x the upcoming debt service payment for existing debt (example - FY2020 reserve = FY2021 debt payment before new sale).

Compliance Status – Debt Service Reserve FY202~~21~~ in compliance.

14. Rivory TIRZ Fund – A debt service reserve equal to 1x the upcoming debt service payment for existing debt (example - FY2020 reserve = FY2021 debt payment before new sale).

Compliance Status – Debt Service Reserve FY202~~21~~ in compliance.

15. Cemetery Fund – A perpetual reserve should build over time so that interest earnings can offset annual operational costs. The General Fund makes an annual transfer of \$75,000 to this fund.

Compliance Status – In FY202~~21~~ not in compliance. Due to the economic impact of the pandemic, the General Fund is transferring ~~\$35,000~~. The reserve has \$~~722,560~~,000. Annual operational costs are \$100,000. With an interest rate of 2%, the reserve needs a balance of \$5 million to support operations. This fund is not likely to build this level of reserve without a significant change in revenue.

For all other funds, the fund balance is an indication of the balance of each particular fund at a specific time. The ultimate goal of each such fund is to have expended the fund balance at the conclusion of the activity for which the fund was established.

Reserve requirements will be calculated as part of the annual budget process and any additional required funds to be added to the reserve balances will be appropriated within the budget.

Funds in excess of the minimum reserves within each fund may be expended for City purposes at the will of the City Council once it has been determined that use of the excess will not endanger reserve requirements in future years. This action requires an amendment to the City's Annual Budget and is outlined in *Section III. J. Use of Unanticipated and Unappropriated General Fund Balances*.

- B. Liabilities and Receivables – Procedures will be followed to maximize discounts and reduce penalties offered by creditors. Current liabilities will be paid within 30 days of receiving the invoice. Accounts Receivable procedures will target collection for a maximum of ~~960~~ days of service. The Finance Director is authorized to write-off non-collectible, non-utility accounts that are delinquent for more than 180 days, and utility accounts delinquent more than 180 days, provided proper delinquency procedures have been followed, and include this information in the ~~Comprehensive~~ Annual Financial Report to the City Council.
- C. Capital Project Funds – Every effort will be made for all monies within the Capital Project Funds to be expended in a timely manner preferably within thirty-six (36) months of receipt. Due to the long timeline of some projects, unused cash or bond proceeds will be reserved on the fund schedule and appropriated when needed. The fund balance will be invested, and income generated will offset increases in construction costs or other costs associated with the project. Capital project funds are intended to be expended totally, with any unexpected excess to be approved for use according to the bond covenant and opinion of bond counsel.
- D. General Debt Service Funds – Revenues within this fund are stable, based on property tax revenues. Balances are maintained to meet contingencies and to make certain that the next year's debt service payments may be met in a timely manner. Fund balance should not fall below 45 days annual debt service requirements, in accordance with IRS guidelines.

Compliance Status – Debt Fund Reserve FY202~~21~~ in compliance.

- E. Investment of Reserve Funds – The reserve funds will be invested in accordance with the City's investment policy.
- F. Ratios/Trend Analysis – Ratios and significant balances will be incorporated into the quarterly financial reports to the City Council for the Electric, Water and General Debt Service Funds. This information will provide users with meaningful data to identify major trends of the City's financial condition through analytical procedures. The following ratios/balances will be used as key financial indicators:

- Debt Ratio: Current liabilities plus long-term liabilities divided by total assets

$$\frac{CL + LTL}{TA}$$

$$AL < 0.5$$
- Times Coverage Ratio: Operating revenue less operating expense divided by annual debt service

$$(OR - OE) / DSV$$

$$AL > 1.5$$

The City will develop minimum/maximum levels for the above ratios/balances through analyzing of City historical trends and future projections.

XVI. RISK MANAGEMENT AND INTERNAL CONTROLS

- A. **Written Procedures** – Wherever possible, written procedures will be established and maintained by the Finance Director for all functions involving cash handling and/or accounting throughout the City. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement.
- B. **Internal Audit Program** – An internal audit program will be maintained by the Finance Director to ensure compliance with City policies and procedures and to prevent the potential for fraud.
 1. Departmental Audits – departmental processes will be reviewed to ensure dual control of City assets and identify the opportunity for fraud potential, as well as, to ensure that departmental internal procedures are documented and updated as needed.
 2. Employees or Transaction Review – Programs to be audited include Petty Cash, City Credit Card accounts, time entry, and travel. All discrepancies will be identified, and the employee's Director will be notified. The City Manager will also be notified depending on the seriousness of the infraction.
 3. Fraud Awareness and Reporting – The City will maintain its personnel policy regarding fraud. They will maintain an arrangement with a third party for anonymous reporting of fraud, waste, or abuse of City resources. The City will provide training to all City employees on recognizing and reporting fraud.
 4. The Finance Director and City Manager will present an annual audit plan to the General Government and Finance board. Results of all internal audits will be provided to the GGAF and City Council at year-end.
- C. **Directors Responsibility** – Each Director is responsible for ensuring that good internal controls are followed throughout their department, that all Finance Division directives are implemented and that all independent auditor internal control recommendations are addressed. Departments will develop and periodically update written internal control procedures.
- D. **Cybersecurity** – The Information Technology department shall regularly assess new forms of security risk and maintain multiple layers of protections and controls to thwart cyber attacks. The City will provide regular cybersecurity awareness training for all employees.

- E. **Electric Utility Risk** – Chapter 13.38 of the City’s Code of Ordinances establishes Council’s authority to oversee all risk of the Electric utility including Congestion Revenue Rights auctions, wholesale power agreements, futures contracts, and other transactions that expose the City to significant risk.

Fiscal and Budgetary Policy

Adopted: September 28, 2021

I. PURPOSE

The City of Georgetown is committed to financial management through integrity, prudent stewardship, planning, accountability, transparency and communication. The broad purpose of the Fiscal and Budgetary Policies is to enable the City and its related component units, including the Georgetown Transportation Enhancement Corporation (GTEC) and the Georgetown Economic Development Corporation (GEDCO), to achieve and maintain a long-term stable and positive financial condition, and provide guidelines for the day-to-day planning and operations of the City's financial affairs.

Policy scope generally spans areas of accounting, operational and capital budgeting, revenue and expenditure management, financial reporting, internal controls, investment and asset management, debt management and forecasting. This is done in order to:

- A. Demonstrate to the residents of Georgetown, the investment community, and the bond rating agencies that the City is committed to a strong fiscal operation;
- B. Provide precedents for future policy-makers and financial managers on common financial goals and strategies;
- C. Fairly present and fully disclose the financial position of the City in conformity to generally accepted accounting principles (GAAP); and
- D. Demonstrate compliance with finance-related legal and contractual issues in accordance with the Texas Local Government Code and other legal mandates.

These policies will be reviewed and updated annually as part of the budget preparation process.

II. FUND STRUCTURE AND BASIS OF BUDGETING

The budgeted funds for the City of Georgetown include:

Governmental Funds:

General Fund which accounts for all financial resources except those required to be accounted for in another fund, and include basic governmental services, such as Street Maintenance, Planning and Development, Police, Fire, Parks, as well as Solid Waste Management.

Special Revenue Funds (SRF) account for specific revenues that are legally restricted for specified purposes. Examples include Tourism, Parkland Dedication, Library Donations, Animal Services Donations, and Street Maintenance Sales Tax.

Debt Service Fund is used to account for the payment of general long-term debt principal and interest.

Capital Project Funds are used to account for the acquisition or construction of major capital facilities other than those financed by enterprise activities.

Proprietary Funds:

Internal Service Funds account for goods or services provided by one internal department to another. The City uses this system to recognize cost for fleet replacement and maintenance, facility maintenance, computer replacement and maintenance and employee health insurance costs.

Enterprise Funds include the City's business like activities including all the utility funds and the airport.

Basis of Accounting and Basis of Budgeting

The City accounts and budgets for all **Governmental Funds** using the *modified accrual basis of accounting*. This basis means that revenue is recognized in the accounting period in which it becomes available and measurable, while expenditures are recognized in the accounting period in which the liabilities are incurred. Because the appropriated budget is used as the basis for control and comparison of budgeted and actual amounts, the basis for preparing the budget is the same as the basis of accounting. Exceptions to the modified accrual basis of accounting include:

- Grants, which are considered revenue when awarded, not received
- Principal and interest on long-term debt, which are recognized when paid.

Proprietary Funds are accounted and budgeted using the full-accrual basis of accounting. Under this method, revenues are recognized when they are earned and measurable, while expenses are recognized when they are incurred regardless of timing or related cash flows. The basis for preparing the budget is the same as the basis of accounting except for principal payments on long-term debt and capital outlay which are treated as budgeted expenses. Exceptions include:

- Depreciation which is not budgeted
- Non-budgeted accruals such as compensated absences.

III. OPERATING BUDGET

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. The operating budget is the City's annual financial operating plan. The annual budget includes all of the operating departments of the General Fund, proprietary funds, debt service funds, special revenue funds, and capital improvement funds of the City.

- A. **Form of Government** – The *Charter (Section 1.03)* established a Council-Manager Government wherein the City vests power in the City Council to “enact legislation, adopt budgets, determine policies, and appoint the City Manager who shall execute the laws and administer the government of the City.”
- B. **Comprehensive Plan** – The *Charter (Section 1.08)* requires that the City Council “establish comprehensive planning as a continuous and ongoing governmental function in order to promote and strengthen the existing

- C. role, processes and powers of the City of Georgetown.” The current comprehensive plan is the 2030 Plan adopted in 2006 and updated in 2020.
- D. **Preparation** – The *Charter (Section 6.02)* requires “a proposed budget prepared by the City Manager and submitted to the City Council at least thirty days prior to the end of the fiscal year. The budget shall be adopted not later than the twenty-seventh day of the last month of the fiscal year. No budget will be adopted or appropriations made unless the total estimated revenues, income and funds available shall be equal to or in excess of such budget or appropriations, except otherwise provided.”
1. **Proposed Budget** – A proposed budget shall be prepared by the City Manager with participation of all of the City’s Directors within the provision of the *Charter* and the 2030 Plan.
 - a. The budget shall include four basic segments for review and evaluation:
 - Revenue
 - Personnel Costs
 - Operations and Maintenance Costs
 - Capital and other non-project Costs
 - b. The budget review process will include City Council participation in the development of each segment and allow for resident participation in the process, and will allow for sufficient time to address policy and fiscal issues by the City Council.
 - c. A copy of the proposed and approved budgets will be filed with the City Secretary when it is submitted to the City Council and will be available on the City’s website.
 2. **Adoption** – Upon finalization of the budget appropriations, the City Council will hold a public hearing, and subsequently adopt by Ordinance the final budget as amended. The budget will be effective for the fiscal year beginning October 1st.

The Annual Budget document will be submitted annually to the Government Finance Officers Association (GFOA) for evaluation and consideration for the Distinguished Budget Presentation Award.

- E. **Balanced Budget** – The goal of the City is to adopt and maintain a balanced operating budget using sustainable funding sources that are expected to continue to be available in subsequent fiscal years. Excess balances in operating funds from previous fiscal years shall remain in the fund in which they were appropriated until either such excess balances are proposed and adopted pursuant to *Section III. C. Preparation* of this policy; until they are used to reduce outstanding debt obligations of the City; or both.

The *Charter (Section 6.04)* requires that an operating deficit created in any fiscal year shall be paid off and discharged during the following year. In practice, deficit has been interpreted to mean City funds as a whole. The City Council may choose from time to time to allow individual funds to have a negative balance as long as Operating Reserve requirements for the City as a whole are maintained.

- F. **Planning** – The budget process will be coordinated so that major policy issues are identified prior to the budget approval date. This will allow City Council adequate time for consideration of appropriate decisions and analysis of financial impacts.
- G. **Reporting** – Summary financial reports will be presented to the City Council quarterly. These reports will be in a format appropriate to enable the City Council to understand the overall budget and financial status.
- H. **Control and Accountability** – Each Director, appointed by the City Manager, will be responsible for the administration of his/her departmental budget. This includes accomplishing the Goals and Objectives adopted as part of the budget and monitoring each department budget for revenue collections and compliance with spending limitations. Directors may transfer funds up to \$25,000 within the operations and maintenance or capital line items within a departmental budget category with approval from Finance. All transfers from or to the Personnel line items require approval of the Finance Director and City Manager. All other transfers of appropriation or budget amendments require either City Council or City Manager approval as outlined in *Section III.G Budget Amendments* and *Section V.C.4 Use of Excess Salary Savings*.
- I. **Budget Amendments** – The *Charter (Section 6.04)* and the Local Government Code 102.009 and 102.010 provide a method to amend the budget for emergency appropriations and municipal purposes. The City Council may authorize, with a majority plus one vote, an amendment to the original budget. This may be done in cases of grave public necessity, or to meet an unusual and unforeseen condition that was not known at the time the budget was adopted. The following criteria will be used in evaluation of budget amendments:
- Is the request necessary?
 - Why was the item not budgeted in the normal budget process?
 - Why can't a transfer be done within the Division to remedy the condition?

The Finance Director must certify availability of revenues or funding sources prior to adoption.

If needed, the City will amend the budget at year end for increased revenue and for expenditures that exceeded budgeted amounts. The City may also amend the budget for any capital project timing adjustments from prior year, as well as any other known adjustments needed and approved at that time.

- J. **Contingency Appropriations** – The budget may include contingency appropriations within designated operating department budgets. These funds are used to offset expenditures for unexpected maintenance or other unanticipated expenses that might occur during the year. Currently, the City maintains contingency appropriations for items such as insurance deductibles, unexpected legal expenses and equipment repairs.
- K. **Use of Unanticipated and Unappropriated General Fund Balances** – Within 90 days after fiscal year end, staff will report the projected General Fund balance to Council. In the event that unexpected, unbudgeted amounts are determined to be available in the General Fund after year end close, these funds may be used for any of the following one-time purposes that mitigate increases in property taxes, as approved by the City Council:
1. to fund capital projects;
 2. to fund equipment purchases in lieu of issuing debt;

3. to reduce outstanding City debt, including bonded indebtedness and unfunded pension liabilities;
4. to fund contingent liabilities such as the benefit payout reserve, cemetery trust fund, and similar obligations of the City;
5. to hold those funds in reserves for future commitments or contingencies that may be pending, and/or;
6. to fund one-time start-up programs or one-time studies

IV. REVENUE MANAGEMENT

A. **Characteristics** – The City will strive for the following optimum characteristics in its revenue system:

1. **Simplicity** – The City, where possible and without sacrificing accuracy, will strive to keep the revenue system simple in order to reduce compliance costs for the taxpayer or service recipient.
2. **Certainty** – A knowledge and understanding of revenue sources increases the reliability of the revenue system. The City will understand its revenue sources and enact consistent collection policies to provide assurances that the revenue base will materialize according to budget.
3. **Equity** – The City shall make every effort to maintain equity in its revenue system; i.e., the City should seek to minimize or eliminate all forms of subsidization between entities, funds, services, utilities, and customer classes, and ensure an on-going return on investment for the City.
 - a. The City will make every effort to recognize the benefit that City tax payers contribute to City programs and services.
 - b. The annual Recreation residential membership rates are established at 75% of non-residential rates plus or minus 10% at the discretion of the Parks and Recreation Director in keeping with the targeted market cost recovery.
4. **Revenue Adequacy** – The City should require there be a balance in the revenue system; i.e., the revenue base will have the characteristics of fairness and neutrality as it applies to cost of service, willingness to pay, and ability to pay.

Overall Operational Cost Recovery for Recreation is targeted to be between 50 – 60%, with some variance in individual programs.

5. **Realistic and Conservative Estimates** – Revenues will be estimated realistically, and conservatively, taking into account the volatile nature of various revenue streams.
6. **Administration** – The benefits of a revenue source should exceed the cost of levying and collecting that revenue.

7. Diversification and Stability – A diversified revenue system with a stable source of income shall be maintained. This will help avoid instabilities in revenue sources due to factors such as fluctuations in the economy and variations in the weather.
- B. Other Considerations – The following considerations and issues will guide the City in its revenue policies concerning specific sources of funds:
1. Cost/Benefit of Incentives for Economic Development – The City will use due caution in the analysis of any incentives that are used to encourage development. A cost/benefit (fiscal impact) analysis will be performed as part of the evaluation.
 2. Non-Recurring Revenues – One-time or non-recurring revenues should not be used to finance current ongoing operations.
 3. Sustainable Revenues – Sustainable means revenue that is consistently available year after year, and includes revenues realized subsequent to adopted projections.
 4. Property Tax Revenues – Annually, the City will forecast property tax revenue as part of the budget process. Certified Assessed Value Reports from the Williamson Central Appraisal District are used to forecast property tax. The City will comply with State law regarding publication notices and Truth in Taxation requirements.
 5. Interest Income – Interest earned from investments will be distributed to the funds in accordance with the average daily cash balance of the fund from which the monies were provided to be invested.
 6. User-Based Fees and Service Charges – For services associated with a user fee or charge, the direct or indirect costs of that service will be offset by a fee where possible. The City will review fees and charges no less than once every five years on a rotating schedule to ensure that fees provide adequate coverage for the cost of services. The City Council will determine how much of the cost of a service should be recovered by fees and charges.
 7. Enterprise Activity Rates – The City will review and adopt utility and airport rates as needed to generate revenues required to fully cover operating expenses, meet the legal requirements of all applicable bond covenants, and provide for an adequate level of working capital. Enterprise rates will be reviewed annually as part of the budget process. A rate study will be conducted no less than every 3 years to review rate methodology and ensure revenues will meet future needs. All enterprise rates will be based on standardized cost of service methodologies and conservation goals.
 - a. **Water Rates** will recognize at least 75% of the fixed cost of service, including debt payments and ROI costs, within the monthly base charge determined by meter size. Volumetric charge will recognize the balance of fixed costs not included in the base rate, plus all variable costs associated with procuring and treating water.
 - b. **Wastewater Rates** are fixed for all residential customers based on the cost of providing services. Commercial customer rates are fixed and volumetric depending on size and specifications of each commercial customer.

- c. **Electric Rates** include 100% of fixed costs within the base rate, and demand rates, with all variable costs included in the kWh rate. The Power Cost Adjustment (PCA) Factor and Transmission Cost Adjustment (TCA) Factor are determined by comparing forecasted costs against actual costs in a budget year, and seek to recover/credit variances within 6 to 12 months. For reference, see Code of Ordinances 13.04.075 and 13.04.080.
 - d. **Stormwater Drainage Fees** are based on a mathematical calculation using impervious cover and applied in compliance with State Law.
 - e. **Solid Waste and Environmental Services Rates** are based on the wholesale cost of service and retail incentives for conservation, the cost to renovate the transfer station, plus a return to the General Fund for wear and tear of heavy trucks on City streets, a franchise fee, and an administrative allocation for managing the solid waste contract and solid waste departmental programming.
 - f. **Airport Fuel and Lease Rates – fuel rates** are based on the cost of the fuel plus a profit margin to fund operations; lease rates are based on the initial appraisal of the land or facility plus an escalation for consumer price index and used to fund operations, capital improvement, contingency, and debt service requirements.
8. Internal Cost Recovery Fees – Additionally, enterprise activity rates will include transfers to and receive credits from other funds as follows:
- a. **General and Administrative Charges** – Administrative costs should be charged to all funds for services of general overhead, such as administration, finance, customer billing, legal and other costs as appropriate. These charges will be determined through an indirect cost allocation following accepted practices and procedures and reviewed annually by the City's external auditors.
 - b. **Payment for Franchise of Right of Way and Payment in Lieu of Taxes** – The intent of these transfers to the General Fund are to provide a benefit to the citizens for the ownership of the various utility operations.

Water, Wastewater, Irrigation and Stormwater Drainage

- *In-Lieu-of-Franchise-Fee.* 3% of operating revenues from Charges, Connect Fees, Tap Fees, Penalties and Late Fees.
- *Payment in Lieu of Taxes (PILOT).* The transfer is calculated at 7% of operating revenues from Charges, Connect Fees, Tap Fees, Penalties and Late Fees.

Electric

For customers inside the City, the franchise fee is \$0.002947/kWh sold. The payment in lieu of taxes (PILOT) for customers inside the City is 7% of gross revenue of the base monthly charge, and \$0.007253/kWh sold. For customers outside the City, there is no franchise fee to the City of Georgetown; however, those customers may be subject to franchise fees in the jurisdiction in which they reside. Outside the City customers are charged a payment in lieu of taxes equal to 7% of gross revenue of the base monthly charge, and \$0.0102/kWh sold.

9. Revenue Monitoring – Received revenues will be regularly compared to budgeted revenues and variances will be investigated, and any abnormalities will be included in the quarterly report to the City Council.

10. Other Funding Alternatives

When at all possible, the City will research alternative funding opportunities prior to issuing debt or increasing user-related fees.

- a. Grants – All grant applications must be approved by the City Council prior to being submitted to a granting agency. Prior to submittal to Council, departments will verify that the benefits of the grant exceed the cost of grant administration and will also provide the required grant forms to Finance for review in accordance with the Grant Acquisition, Management, and Compliance Policy. Finance will review and sign the forms which provides detailed information including, but not limited to, the term of the grant, any matching requirements, the resulting operational requirements once the grant is discontinued, and a budget request detailing the line items to be effected, all of which should be included in the Council agenda item packet requesting approval to apply. The City Council must also authorize acceptance of any grant awards received.
- b. Use of Reserve Funds – The City may authorize the use of reserve funds to potentially delay or eliminate a proposed bond issue. This may occur due to higher than anticipated fund balances in prior years, thus eliminating or reducing the need for debt proceeds, or postpone a bond issue until market conditions are more beneficial or timing of the related capital improvements does not correspond with the planned bond issue. Reserve funds used in this manner are replenished upon issuance of the proposed debt.
- c. Developer Contributions – The City will require developers who negatively impact the City's utility capital plans offset those impacts. These policies are further defined within the City's utility line extension policy and other development regulations.
- d. Leases – The City may authorize the use of lease financing for certain operating equipment when it is determined that the cost benefit of such an arrangement is advantageous to the City.
- e. Impact Fees – The City will impose impact fees as allowable under state law for transportation, water and wastewater services. These fees will be calculated in accordance with statute and reviewed at least every three years. All fees collected will fund projects identified within the Fee study and as required by state laws.

V. EXPENDITURE MANAGEMENT

- A. Appropriations – The point of budget control is at the department level budget for all funds. The *Charter (Section 6.03)* provides that any transfer of appropriation between funds must be approved by the City

Council and that the City Manager, without City Council approval, is authorized to transfer appropriations among departments, within the same operational division and fund.

- B. **Expenditure Monitoring** – Expenditures and encumbrances will be regularly compared to budget, variances will be investigated, and any abnormalities will be included in the quarterly report to the City Council. Projected year-end expenditures will be reported in the annual budget.
- C. **Personnel Costs** – Costs related to salaries and benefits are budgeted at 100% total costs, assuming open positions are filled throughout the fiscal year. New positions that are added during the budget process may have staggered hire dates with appropriate costs reflected in the budget.
 - 1. **Vacancy Factor** – Major Funds with Personnel Budgets will include a vacancy factor of at least 1% of total fund salaries and related benefits (retirement, FICA, Medicare) to offset salary savings within the budget. The vacancy factor will be budgeted as a negative expense within the fund. This factor will be reduced throughout the year as vacant positions are recognized within the department budget.

Compliance Status – General Fund, Electric Fund, Water Fund and Joint Services Fund FY2022 in compliance.

- 2. **Benefit Payout Reserve** – The City will establish a benefit payout reserve equal to 15% of the accrued benefit liability for employees in the General and Joint Services Funds who are currently eligible to retire. Only terminating employee benefit expenses may be paid from this reserve. This reserve shall be funded as an offset to the vacancy factor.

Compliance Status – Benefit payout reserve FY2022 in compliance.

- 3. **Position Control** – The annual budget includes a set number of positions within departments when approved and adopted by City Council. Additional positions cannot be added without approval of the City Council. The City Manager may approve the transfer of authorized positions between departments if funds are available within the department.
- 4. **Use of Excess Salary Savings** – Departmental savings generated due to open positions or other salary line item savings cannot be spent by the department unless previously approved by the City Manager and validated by Finance as excess funds.
- D. **Special Purpose Funding** – In order to support community assistance programs, the City designates specific funding for special purposes, including Strategic Partnerships for Community Services, and Public Art. The City reserves the ability to cap this special purpose funding when necessitated by budget contingency or compliance issues, such as revenue shortfalls, or other reasons as determined by City Council.
 - 1. **Strategic Partnerships for Community Services** – The City of Georgetown values partnerships with organizations that are committed to addressing our communities' greatest public challenges and has identified key priorities in the following areas:
 - a. Public Safety
 - b. Transportation
 - c. Housing
 - d. Parks & Recreation

- e. Veteran Services
- f. Safety Net

The City has targeted funding for these programs to be \$5.00 per capita, which may be adjusted to offset the effects of general inflation based upon Consumer Price Index. If previous funding levels are higher than the targeted amount, and to avoid significant reductions in levels of funding, the City Council shall seek to attain this target chiefly through population growth. These funds will be allocated and paid according to the City Council's guidelines for such programs.

Compliance Status – FY2022 in compliance.

2. Public Art Funding – The City will annually allocate up to 15% of budgeted Hotel Occupancy Tax revenue, the maximum allowed by state law, for Public Art in the Tourism Fund. Any unspent funds will accumulate and be reallocated in the following budget year. Disbursement of these funds will be determined by the City's Arts & Culture Advisory Board.

Compliance Status – FY2022 in compliance.

Every effort will be made to include public art funding in future City facilities whose primary purpose is for public use. These projects will include a reasonable allowance for public art that fits the scope and purpose of the building so long that it does not negatively impact the project cost beyond the original budget. In the event there is cost savings in the construction of City Facilities, the City Council may consider utilizing that savings on the purchase of public art for the facility.

- E. Purchasing – The City will maintain and regularly review written Purchasing Policies. All City purchases of goods or services will be made in accordance with the City's Charter, current Purchasing Policy and with State law.

The following table shows a summary of requirements for purchases of goods and services and does not substitute the formal Purchasing Policies.

Dollar Limits:	Procurements:	Requirements:
\$3,000 and less	Under the small purchase limit	No competitive bids and City credit cards may be used.
\$3,001 up to \$50,000	Within informal bid limit	A minimum of three informal solicitation for bids required unless exempted; Historically Underutilized Business (HUB) requirements apply in accordance with state law.
\$50,001 and above	In excess of the informal bid limit	Formal solicitations, which includes public notices, required unless exempted. Advisory board review and recommendation <i>may</i> be required. Council approval required.

Common exemptions to the formal solicitation process include the procurement of professional services, the purchase of goods or services from a sole source provider, and purchases for public health emergencies.

In addition to the above, all purchases must be approved according to signature authority limits.

- F. **Contracts, Change Orders and Amendments** – Contracts and related change orders and amendments must follow the City’s Purchasing Policies and State Law. Contract term lengths should balance the need for value as well as the ability to respond to changing conditions.

- G. **Prompt Payment** – In accordance with State Law, all invoices approved for payment by the proper City authorities shall be paid within thirty (30) calendar days of receipt of goods or services or invoice date, whichever is later in accordance with State law. The City will take advantage of all purchase discounts, when possible.

- H. **Risk Management** – The City will pursue every opportunity to provide for the Public’s and City employees’ safety and to manage its risks. The goal shall be to minimize the risk of loss of resources through liability claims with an emphasis on safety programs.

- I. **Retirement Benefits** – Proposals to revise benefits administered and provided by the Texas Municipal Retirement System shall include a written description, and, detailed and summary numerical assessments of the changes that would result from the proposed benefit revision.
 - 1. The numerical assessments shall include the following:
 - a. The estimated change to the TMRS contribution rate that would result from the proposed change in benefits, expressed as a percentage of employee pay and as an annual dollar amount to the General Fund and to each City fund.
 - b. The estimated change to the City’s unfunded pension liability, expressed as a dollar amount.
 - c. The estimated change to the City’s actuarial funding ratio.
 - 2. The description and numerical assessments must be provided to the City Council at least 72 hours prior to consideration and approval, and must be read aloud to the Council prior to Council consideration.
 - 3. The estimated changes to the City’s contribution rate and the unfunded pension liability presented pursuant to the section must be based on information provided by the TMRS actuary or by a professional actuary authorized by the TMRS to provide such information.
 - 4. Proposals to revise TMRS benefits must be voted on individually as part of the City Council’s legislative agenda.
 - 5. The City will amortize any unfunded actuarial liability (UAAL) over a period not to exceed the amortization period used by the TMRS actuary. The City may amortize its UAAL more quickly by making contributions to TMRS in excess of the rate specified by TMRS.

6. The City may elect to pay a higher contribution rate than required by the TMRS, to reduce the City's unfunded pension liability. Such payment will be approved and authorized by the City Council as part of the City's annual budget process.

J. Retirement Cost-of-Living Adjustment

1. Within 60 days of when the TMRS annual funding update becomes available each year, staff will review and may prepare a summary of costs and options for potential cost-of-living adjustment (COLA) for City of Georgetown retirees.
2. Consistent with state statutes governing the Texas Municipal Retirement System, the City may provide an automatic COLA for members of the TMRS who are retired from the City of Georgetown and receiving a monthly retirement benefit from the TMRS.
3. The City Council may adjust the COLA provided to city retirees based upon the funding level of the City's pension plan, as calculated by the TMRS, as follows:

When the funding level of the City's pension plan is	The COLA should be
Less than 70.0%	Zero
70.0% to 79.9%	0.3% of CPI
80.0% to 89.9%	0.5% of CPI
90.0% and greater	0.7% of CPI

4. Adjustments made pursuant to *Subsection J.3.* should reflect the reciprocal effect of the prospective change in the COLA on the funding level of the City's pension plan.

Deferred Compensation Benefits – In addition to the retirement benefit administered by the TMRS, the City will sponsor a Deferred Compensation 457 plan and ROTH plan, which are supplementary individual retirement savings plans. The City will encourage employee participation in these plans.

VI. STAFFING AND COMPENSATION

City Council and Management recognize the importance of attracting, hiring, developing, and retaining the best people, and compensating them for the value they create. Our outstanding and innovative City employees work diligently to bring the Vision of Council to life and deliver exceptional services to our customers while exemplifying our Core Values. The following programs are subject to available funding in the annual operating budget.

- A. **Adequate Staffing** – Staffing levels will be adequate for the fiscal functions of the City to operate effectively. Workload allocation alternatives will be explored before adding additional staff.

- B. **Competitive Compensation** – In order to maintain a competitive pay scale, the City has implemented a ***Competitive Employee Compensation Maintenance Program*** to address competitive market factors and other issues impacting compensation. The program consists of:
 1. **Annual Pay Plan Review** – To ensure the City’s pay system is accurate and competitive within the market, the City will review its pay plans annually for any potential market adjustments necessary to maintain the City’s competitive pay plans.
 2. **Pay for Performance** – Each year the City will fund performance based pay adjustments for regular non-public safety personnel. This merit-based program aids in retaining quality employees by rewarding their performance. Pay for Performance adjustments are based on the employee’s most recently completed performance evaluation.
 3. **Public Safety Steps** – Each year the City will fund anniversary step increases for public safety sworn personnel consistent with public safety pay scale design.

- C. **Self-Insurance Program** – The City is committed to providing quality healthcare insurance that offers the most flexibility in health benefits and options to its employees. In order to provide the most cost effective solution, the City has determined that establishing a self-funded health insurance plan offers the greatest opportunity to mitigate future cost increases while offering quality health care services to its employees. The City has established a mechanism to manage the accounts and payments associated with this program. Per GASB Statement No. 66, such funding should be accounted for as an Internal Service Fund (ISF).
 1. **Employee Health Insurance ISF** – This fund contains premium contributions from employees and budgeted health insurance contributions included in the City’s annual budget process. To maintain stable revenue to this fund, and to clearly set expenditure expectations for departments, any budgeted appropriations for employee health insurance that are unused at the end of each fiscal year will be transferred back to the self-insurance fund.
 2. **Self-Insurance Reserves** – Annually through the budget process, staff and the City’s Health Benefit Consultant firm will evaluate and recommend to Council the appropriate funding levels for two reserves.
 - a. Incurred but Not Reported (IBNR) Reserve: In the event the City stopped self-insuring for health benefits and was required to pay incurred costs, the City will reserve 10 percent of the annual costs of claims, benefit administration and stop loss coverage.

Compliance Status – IBNR reserve FY2022 in compliance.

- b. Rate Stabilization Reserve: To alleviate shocks to the City and employees due to sharp increases in health insurance costs, the City will reserve between 10 and 20 percent of annual medical claims, benefit administration and stop loss coverage. Staff and the benefits consultant will consider a 3 year forecast on premiums when determining to utilize the funds or rebuild the reserve.

Compliance Status – Rate stabilization reserve FY2022 in compliance.

3. **Employee Premiums** – Annual premiums will be recommended to City Council through a collaborative process between the City’s Employee Benefit Committee and external Health Benefits consulting firm using historical data, reserves history and other analytic analysis.

VII. FUND BALANCE POLICIES

The City’s Fund Balance is the accumulated difference between assets and liabilities within **governmental funds**, and it allows the City to meet its contractual obligations, fund disaster or emergency costs, provide cash flow for timing purposes and fund non-recurring expenses appropriated by City Council. This policy establishes limitations on the purposes for which Fund Balances can be used in accordance with Governmental Accounting Standards Board (GASB) Statement Number 54.

The City’s Fund Balance will report up to five components:

- A. **Non-spendable Fund Balance** – includes inherently non-spendable assets that will never convert to cash, as well as assets that will not convert to cash soon enough to affect the current financial period. Assets included in this category are prepaid items, inventory and non-financial assets held for resale.
- B. **Restricted Fund Balance** – represents the portion of fund balance that is subject to legal restrictions, such as grants or hotel/motel tax and bond proceeds.
- C. **Committed Fund Balance** – describes the portion of fund balance that is constrained by limitations that the City Council has imposed upon itself, and remains binding unless the City Council removes the limitation.
- D. **Assigned Fund Balance** – is that portion of fund balance that reflects the City’s *intended* use of the resource and is established in a less formal method by the City for that designated purpose.
- E. **Unassigned Fund Balance** – represents funds that cannot be properly classified in one of the other four categories.

VIII. LONG-TERM LIABILITY RESERVES

The City of Georgetown recognizes certain long-term unfunded commitments and contingencies that will require substantial funding at some point in the future. The City is committed to addressing these commitments in a fiscally prudent method by acknowledging their future financial impacts and developing strategies and designated reserve funds to mitigate those future impacts.

- A. ***The Finance Director will maintain a list of unfunded liabilities.*** The list will be included in the quarterly financial report to Council and considered during the annual budget process.

IX. BUDGET CONTINGENCY PLAN

This policy is designed to establish general guidelines for managing revenue shortfalls resulting from local and national economic downturns that adversely affect the City's revenue streams.

- A. **Immediate Action** – Once a budgetary shortfall is projected, the City Manager will take the necessary actions to offset any revenue shortfall with a reduction in current expenses. The City Manager may:
 1. Freeze all new hire and vacant positions except those deemed to be a necessity.
 2. Review all planned capital expenditures.

3. Delay all "non-essential" spending or equipment replacement purchases.

The City Manager shall report in a timely manner to the City Council the projected shortfall and the actions taken to resolve it.

- B. **Further Action** – If the actions identified in subsection A are insufficient to offset the projected revenue deficit for the current fiscal year, the City Council may approve the following actions, in the order listed:

1. Apply unspent, unobligated surplus funds from prior fiscal years to fund one-time costs in the current fiscal year budget.
2. Authorize the use of the General Fund Economic Stability Reserve , contingency reserves, capital reserves or any other reserves appropriate as outlined in the sections XII. CAPITAL MAINTENANCE AND REPLACEMENT and XV. FINANCIAL CONDITIONS, RESERVES, AND STABILITY RATIOS
3. Direct other reductions in services, including workforce reductions.
4. Authorize a temporary reduction in one or more fund's contingency reserves from 90 days to 75 days.

- C. **Replenish Fund Balance** – Generally, if any existing reserve is used as described above in the budget contingency plan, the reserve should be restored in the next fiscal year. If the restoration within one year is impractical or places an undo strain of City services, staff shall recommend to Council an alternative timeline that is subject to Council approval.

X. CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET

The City's goal is to maintain City facilities and infrastructure in order to provide excellent services to the customers within the community, meet growth related needs, and comply with all state and federal regulations.

- A. **Preparation** – The City annually updates and adopts a five-year Capital Improvement Program (CIP) schedule as part of the operating budget adoption process. The plan is reviewed and adjusted annually as needed, and year one is adopted as the current year capital budget. The capital budget will include all capital projects, capital resources, and estimated operational impacts.

1. Needed capital improvements are identified through system models, repair and maintenance records and growth demands.
2. A team approach will be used to prioritize CIP projects, whereby City staff from all operational areas provide input and ideas relating to each project and its effect on operations.
3. Citizen involvement and participation will be solicited in formulating the capital budget through master planning processes, board meetings, public hearings and other forums.

4. Capital infrastructure necessary to meet the requirements of the City's Annexation Plan will be identified separately within the CIP plan, so that funding alternatives can be developed if needed.

Prior to Council approval, the following Advisory Boards will review the Capital Projects budget and contracts for expenditures:

Electric Utility Board	Water Utility Board	Georgetown Transportation Advisory Board (GTAB)	General Government and Finance Advisory Board (GGAF)	Parks Advisory Board	Georgetown Transportation Enhancement Corporation (GTEC)
Electric	Water Wastewater	Streets Stormwater Drainage Airport	Facilities, Fleet, IT and Other General Government Capital Projects	Parks and Recreation	Transportation projects related to economic development

- B. **Control** – All capital project expenditures must be appropriated in the capital budget.
- C. **Financing Programs** – Where applicable, assessments, impact fees, pro rata charges, or other fees should be used to fund capital projects which have a primary benefit to specific identifiable property owners. Debt financing is referenced in *Section XIV. Debt Management* of this document.

XI. CAPITAL MAINTENANCE AND REPLACEMENT

The City recognizes that deferred maintenance increases future capital costs. Therefore, a portion of all individual funds with infrastructure should be budgeted each year to maintain the quality within each system.

- A. **Infrastructure Maintenance** — On-going maintenance and major repair costs are included as expense within the departmental operating budgets. These costs are generally considered system repairs and are not capitalized for accounting purposes. They include such items as park and recreation facility repairs, street repair, water line repairs and other general system maintenance.
- B. **Modified Approach — Pavement Condition Index (PCI)** — Governmental Accounting Standards Board Statement # 34 provides for an alternative approach to depreciation for measuring the value of infrastructure assets and the related costs incurred to maintain their service life at a locally established minimum standard. The City has elected to implement this modified approach in maintaining its non-enterprise fund infrastructure assets. In order to adopt this alternative method, the City has implemented an asset management system that determines if the minimum standards are being maintained. This measurement system will be updated at least every 3 years.

The City uses a Pavement Management Information System to track the condition levels of each of the street sections. The condition of the pavement is based on the following factors:

- Type of Distress
- Amount of Distress
- Severity of Distress
- Deduct Values (function of first three)

The Pavement Condition Index (PCI) is a measurement scale is based upon a condition index ranging from zero for a failed pavement to 100 for pavement with perfect condition. The condition index is used to classify pavement in the following conditions:

PCI	Rating
100 – 85	Good
85 – 45	Fair
45 – 0	Poor

The City’s administrative policy is to achieve an average PCI level of 85. An 85 PCI is considered maintaining the streets in a “good” condition. Staff will prepare a street maintenance budget that meets this target for Council’s consideration during the budget process. The PCI level as of 2018 was 85.5.

C. **Internal Service Funds Capital Maintenance & Replacement** – The City currently utilizes internal service funds to maintain and replace existing assets. Assessments are made to other funds for the use of existing equipment and to purchase new equipment. In this way, suitable funds are available for the purchase of operational assets without the issuance of debt.

1. **Fleet Maintenance and Replacement** – The City has a major investment in its fleet of cars, trucks, tractors, and other equipment. The City will anticipate replacing existing equipment, as necessary and will establish charges that are assigned to the using departments to account for the cost of that replacement. Vehicle maintenance is also allocated in this manner. The targeted asset replacement reserve amount is the average (1/5th) of the next five years on the replacement schedule for cash-funded vehicles.

Compliance Status – Fleet replacement reserve FY2022 in compliance.

It is the general policy of the City not to hold back vehicles or equipment from replacement or disposition. Departmental requests to hold back units must be approved by the Fleet Manager and the City Manager.

2. **Technology** – It is the policy of the City to plan and fund the maintenance and replacement of its computer network and other technology systems. A reserve will be established within the ISF for replacement of major systems and will be funded over time through excess revenues within the Fund. The targeted amount is the average (1/5th) of the next five years on the replacement schedule. While cash funding is preferred, major IT systems and projects may require debt that is amortized over a shorter useful life appropriate for the software or hardware.

Compliance Status – IT replacement reserve FY2022 in partial compliance. The IT Fund will need to increase recovery rates in future years to cover the purchase of the fiber asset from the Electric Fund and restore the capital reserve.

3. Facilities Maintenance – The City has established an on-going maintenance program, which includes major repairs, equipment, as well as contracts for maintaining City facilities. The City has anticipated a useful life of such equipment and established a means of charging those costs to the various departments in order to recognize the City's continuing costs of maintaining its facilities. Determination for facility repairs is based on useful life of the various elements of each facility. A proportional cost for each element is expensed within the budget for capital replacement. The targeted replacement reserve amount is the average (1/5th) of the next five years on the replacement schedule.

Compliance Status – Facilities replacement reserve FY2022 partial compliance. It is estimated to take 2 additional years to build the replacement reserve.

- D. Departmental Capital Maintenance & Replacement – The City also utilizes department capital maintenance and replacement schedules for specialized assets and equipment necessary to provide services.

1. Parks and Recreation – As part of the City's on-going maintenance program, the City also recognizes the need to regularly maintain and replace playgrounds, equipment and facilities that are part of the City's Parks and Recreation system. Separate replacement and maintenance schedules will be maintained for these items including, but not limited to, playground equipment, buildings, sport courts, trees and grounds, and restroom facilities. The City's goal is to provide level on-going funding to ensure safe, well-maintained facilities for its citizens. The current funding level is an annual \$297,000 transfer from the General Fund.

Compliance Status – Parks maintenance replacement FY2022 in compliance.

2. Public Safety Equipment – As part of the City's on-going maintenance program, the City also recognizes the need to regularly maintain and replace specialized equipment in Police and Fire. Separate replacement and maintenance schedules will be maintained for these items including but not limited to for Fire: SCBA's and other firefighting equipment and protective gear; and for Police: bullet proof vests, armaments and other tactical equipment. The City's goal is to provide level on-going funding to ensure proper protection for employees and residents. The current funding level is an annual appropriation in the General Fund of \$80,000 for Fire and \$88,000 for Police.

Compliance Status – Public safety equipment replacement FY2021 in compliance.

E. Surplus Property

1. From time to time it is necessary to dispose of certain vehicles or equipment that have been procured with City funds and used in City services. Individual surplus property items with expected sales value in excess of \$50,000 must be approved by the City Council prior to disposition.
2. City staff will maintain reports and records of all surplus property dispositions in accordance with good internal controls.

XII. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

- A. **Accounting** – The City is solely responsible for the recording and reporting of its financial affairs, both internally and externally. The Finance Director is responsible for establishing the structure for the City's Chart of Accounts and for assuring that procedures are in place to properly record financial transactions and report the City's financial position.
- B. **General Government and Finance Advisory Board (GGAF)** – The City may establish a subcommittee consisting of at least 2 City Council members and not more than 3 citizens that may meet monthly to provide additional oversight to the City's Finance operations. This subcommittee will also review general government items that are not reviewed by another City advisory board before being presented to City Council. The City's Finance Director will be the liaison for this subcommittee.
- C. **Audit of Accounts** – In accordance with the *Charter*, an independent audit of the City accounts will be performed every year. The auditor is retained by and is accountable directly to the City Council. The auditing firm will serve for up to 5 years, at which time, the City will re-bid these services and change firms if deemed necessary by GGAF and City Council.
- D. **External Reporting** – Upon completion and acceptance of the annual audit by the City's auditors, the City shall prepare a written Annual Financial Report which shall be presented to the City Council within 180 calendar days of the City's fiscal year end. The report shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP) and shall be presented annually to the Government Finance Officer Association (GFOA) for evaluation and consideration for the Certificate of Achievement in Financial Reporting.

XIII. ASSET MANAGEMENT

- A. **Cash Management and Investments** – The City Council has formally approved a separate Investment Policy for the City of Georgetown that meets the requirements of the Public Funds Investment Act (PFIA), Section 2256 and 2257 of the Texas Local Government Code. This policy is reviewed annually by the City Council and applies to all financial assets held by the City and applies to all entities (component units) included in the City's Annual Financial Report and/or managed by the City. Refer to the separate policy for details regarding:
 - 1. Statement of Cash Management Philosophy
 - 2. Objectives
 - 3. Safekeeping and Custody
 - 4. Standard of Care and Reporting
 - 5. Investment Strategies
 - 6. Authorized Investments and Approved Broker/Dealer List.
- B. **Fixed Assets** – These assets will be reasonably safeguarded and properly accounted for, and prudently insured.
 - 1. **Capitalization Criteria** – For purposes of budgeting and accounting classification, the following criteria must be met in order to be capitalized:

- a. The asset owned by the City
- b. The expected useful life of the asset must be longer than one year, or extend the life of an identifiable existing asset by more than one year
- c. The original cost of the asset must be at least \$5,000
- d. The asset must be tangible, or uniquely intangible like a trademark.

On-going repairs and general maintenance are not capitalized. Public Education and Government (PEG) Funds will capitalize assets in aggregate over \$1,000 on an annual basis.

2. New Purchases – All costs associated with bringing the asset into working order will be capitalized as part of the asset cost. This will include startup costs, engineering or consultant type fees as part of the asset cost once the decision or commitment to purchase the asset is made. The cost of land acquired should include all related costs associated with its purchase. Appropriate personnel and overhead costs are capitalized in the Electric fund.
3. Improvements and Replacement – Improvements will be capitalized when they extend the original life of an asset or when they make the asset more valuable than it was originally. The replacement of assets components will normally be expensed unless they are a significant nature and meet all the capitalization criteria.
4. Contributed Capital – Infrastructure assets received from developers or as a result of annexation will be recorded as equity contributions when they are received.
5. Distributions Systems – All costs associated with public domain assets, such as streets and utility distribution systems, will be capitalized in accordance with the capitalization policy. Costs should include engineering, construction and other related costs including right of way acquisition. For the Electric Distribution system, all component parts associated with a capital project shall be accounted for and capitalized in accordance with the Federal Energy Regulatory Commission (FERC) guidelines. These are an exception to the capitalization criteria above.
6. Reporting and Inventory – The Finance Division will maintain the permanent records of the City's fixed assets, including description, cost, department of responsibility, date of acquisition, depreciation and expected useful life. Periodically, random sampling at the department level will be performed to inventory fixed assets assigned to that department. Responsibility for safeguarding the City's fixed assets lies with the department supervisor or manager whose department has been assigned the asset.

XIV. DEBT MANAGEMENT

The City of Georgetown recognizes the primary purpose of capital facilities is to provide services to the community. Using debt financing to meet the capital needs of the community must be evaluated according to efficiency and equity. Efficiency must be evaluated to determine the highest rate of return for a given investment of resources. Equity is resolved by determining who should pay for the cost of capital improvements. In meeting demand for additional services, the City will strive to balance the needs between debt financing and "pay as you go" methods. The City realizes that failure to meet the demands of growth may inhibit its continued economic viability, but also realizes that too much debt may have detrimental effects on the City's long-range financial condition.

The City will issue debt only for the purpose of acquiring or constructing capital assets for the general benefit of its citizens and to allow it to fulfill its various purposes as a city. The City will seek input on major projects funded with debt via bond elections, master planning exercises, board meetings, budget workshops, and other methods as needed.

A Debt Condition Update report will be provided annually.

A. **Usage of Debt** – Long-term debt financing will be considered for non-continuous capital improvements of which future citizens will benefit. Alternatives for financing will be explored prior to debt issuance and include, but not limited to:

- Grants
- Use of Reserve Funds
- Use of Current Revenues
- Contributions from developers and others
- Leases
- Impact Fees

When the City utilizes long-term financing, it will ensure that the debt is soundly financed by conservatively projecting revenue sources that will be used to pay the debt. It will not finance the improvement over a period greater than the useful life of the improvement and it will determine that the cost benefit of the improvement, including interest costs, is positive to the community.

The City may utilize the benefits of short-term debt financing to purchase operating equipment provided the debt doesn't extend past the useful life of the asset and the potential impact to the tax rate is within policy guidelines.

B. **Types of Debt**

1. **General Obligation Bonds (GO's)** – General obligation bonds must be authorized by a vote of the citizens of Georgetown. They are used only to fund capital assets of the general government and are not to be used to fund operating needs of the City. The City's ad valorem taxing authority backs general obligation bonds. Conditions for issuance of general obligation debt include:
 - a. When the project will have a significant impact on the tax rate;
 - b. When the project may be controversial even though it is routine in nature; or
 - c. When the project falls outside the normal bounds of projects the City has typically done.

For debt programs that include multiple projects that will be issued over multiple years at the discretion of the City Council, the City may approve an ***Agreement with the Voters*** to manage future property tax rate impacts. The Agreement with the Voters will be included in educational information for all applicable GO Bond elections, and will include a maximum **annual** tax rate increase and a cumulative total per bond authorization maximum tax rate increase. The City will include these impacts in its annual Debt Condition report.

The City Council will carefully manage the *unissued GO Bond authorization* through annual review of related projects to ensure full disclosure on future timing of projects included in the bond package. Timing of authorized projects and related bond issuance will be included in the Annual Budget and published on the City's website. Any changes to this schedule require specific Council authorization.

2. Revenue Bonds – Revenue bonds will be issued to provide for the capital needs of any activities where the capital requirements are necessary for the continuation or expansion of a service. The improved activity shall produce a revenue stream to fund the debt service requirements of the necessary improvement to provide service expansion. The average life of the obligation should not exceed the useful life of the asset(s) to be funded by the bond issue, and will generally be limited to no more than twenty (20) years. An exception can be made for plant expansions or related system expansions whose useful life is in excess of 30 years. A cost benefit analysis will be done to fully disclose the impacts of extending debt beyond 20 years.
3. Certificates of Obligation, Contract Obligations (CO's) – Certificates of obligation or contract obligations may be used to fund capital requirements that are not otherwise funded by general obligation or revenue bonds. Debt service for CO's may be either from general revenues (tax-supported) or supported by a specific revenue stream(s) or a combination of both. Typically, the City may issue CO's when the following conditions are met:
 - a. When the proposed debt will have minimal impact on future effective property tax rates;
 - b. When the projects to be funded are within the normal bounds of City capital requirements, such as for roads, parks, various infrastructure and City facilities and equipment; and
 - c. When the average life of the obligation does not exceed the useful life of the asset(s) to be funded by the issue.

Certificates of obligation will be the least preferred method of financing and will be used with prudent care and judgment by the City Council during the budget development process.

4. Self-supporting Certificates of Obligation Debt – Refers to certificates of obligation issued for a specific purpose and repaid through dedicated revenues other than ad valorem taxes. The annual debt requirements are not included in the property tax calculation. Both the Airport and Stormwater Drainage funds will issue this type of debt. In addition, the Electric and Water Services Funds can utilize this method of funding non-system capital assets. The City also issues debt on behalf of the Georgetown Transportation Enhancement Corporation (GTEC) and the Georgetown Economic Development Corporation (GEDCO) whom then pledge 4A and 4B sales tax revenue for the repayment of that debt. Tax Increment Reinvestment Zones also may issue self-supporting debt.
5. Internal borrowing between City Funds – The City Council can authorize use of existing long-term reserves as formal loans between funds. The Council will consider the following circumstances:
 1. The emergency or other circumstances and why an internal loan is the best viable option;
 2. The dollar amount of the loan will be within the core balance reserves of the lending fund and will otherwise not be restricted by local or state regulation;
 3. The borrowing fund will repay the loan at a rate consistent with current market conditions. The loan will be considered an investment of working capital reserves by the lending fund. The interest rate will be comparable to prevailing investment rates for

public funds at the time the loan is made; and a fixed, variable or other rate structure will be defined at the time the loan is approved;

4. The maximum maturity will be three (3) years.
 5. A reimbursement resolution may be used to reimburse a short-term loan (up to 1 year maturity) with long-term debt proceeds;
 6. Formal loans will be appropriately recorded and reported.
6. **Refundings** – The City Council may refinance debt to achieve interest cost savings as market conditions change, or to remove restrictive covenants, or to further other City goals as expressed by Council. The City's Financial Advisor will prepare refunding analysis for consideration and demonstrate that the savings of the refinancing are greater than the costs to refinance, with a target minimum net present value savings of 3-5%.
7. **Other Short-term Borrowing** – The City may authorize the issuance of Public Property Finance Contractual Obligations (PPFCO) which is short-term obligations for the acquisition of personal public property, such as equipment. PPFCOs are payable from either ad valorem taxes or another dedicated revenue stream. Each issuance will be assessed to ensure cost effectiveness and the repayment schedule will not exceed the useful life of the asset. Multiple equipment acquisitions can be grouped in a single PPFCO issue in order to develop economies of scale.

In FY2021, the City issued a \$48 million PPFCO for the energy costs of Winter Storm Uri. The Council approved a 9.5 year term with a 5 year call option. Because energy costs are an ongoing operating expense, it is the intent of the City to review all options to pay off this debt issue as soon as possible, balanced against rate competitiveness, Electric fund liquidity, and other practical factors.

- C. **Method of Sale** – The City will use a competitive bidding process in the sale of bonds unless conditions in the bond market or the nature of the issue warrant a negotiated bid, private placement or other method. In such situations, the City will publicly present the reasons for the other method. The City will rely on the recommendation of the financial advisor in the selection of the underwriter or direct purchaser. The financial advisor must meet all licensing requirements and comply with all Municipal Securities Rulemaking Board (MSRB) regulations. The City's financial advisor will not act as the underwriter on any City bond issue.
- D. **Disclosure** – Full disclosure of operating costs along with capital costs will be made to the bond rating agencies and other users of financial information. The City staff, with assistance of the financial advisor and bond counsel, will prepare the necessary materials for presentation to the rating agencies and will aid in the production of the Preliminary Official Statements. The City will take responsibility for the accuracy of all financial information released.
- E. **Federal Requirements** – The City will maintain written procedures to follow post issuance compliance rules, arbitrage rebate and other Federal requirements.
1. Post issuance tax compliance rules will include records retention, arbitrage rebate, use of proceeds, and
 2. Continuing disclosure requirements under SEC Rule 15c2-12, MSRB standards, or as may be required by bond covenants or related agreements.

- F. **Debt Structuring** – The City prefers to issue bonds with a term of twenty (20) years or less, not to exceed the useful life of the asset acquired. The structure should approximate level debt service unless operational matters dictate otherwise. Market factors, such as the effects of tax-exempt designations, the cost of early redemption options and the like, will be given consideration during the structuring of long term debt instruments. Exceptions to the 20 year term include debt issues for major system expansions, such as water, sewer or electric plants, in which case the City may issue debt greater than 20 years since the useful life of the asset exceeds 30 years. A cost benefit analysis indicating the impacts of extending debt beyond 20 years will be completed.

Fixed interest rate basis will be preferred because it aids in predictable budget and multi-year forecasting for the issuing funds. Variable rate debt can sometimes allow early repayment with no penalty. Variable rate debt may be considered by the Council as a tool to provide flexibility in setting the tax rate and determine use of one-time available fund balances. The City's Financial Advisor will provide an analysis of the benefits of a variable rate structure versus interest rate risk, remarketing risk, and liquidity risk. Because variable rate debt introduces risk and administrative burden on staff and advisors, the amount of allowed variable rate debt will be limited to no more than ten percent (10%) of the City's outstanding debt principal per system (tax-supported, utility supported).

- G. **Utility and Self-Supporting Debt Coverage Ratio** – Refers to the number of times all utility supported debt service requirements or payments would be covered by the current operating revenues net of on-going operating expenses of the City's combined utilities (Electric, Water, and Wastewater).

The City will maintain a minimum debt service coverage ratio of 1.5 times for the utilities as a whole. The bond ordinances allow the City to forego a debt reserve fund for its utility debt if the coverage is maintained at 1.35 times or better. A coverage ratio of 1.5 times will also be required for all funds issuing self-supporting debt (Airport, Stormwater, GTEC, GEDCO, PID and TIRZ).

Compliance Status – Debt coverage ratio FY2022 in compliance.

- H. **Bond Reimbursement Resolutions** – The City may utilize bond reimbursements as a tool to manage its debt issues, due to arbitrage requirements and project timing. In so doing, the City uses its capital reserve cash to delay bond issues until such time when issuance is favorable and beneficial to the City.

The City Council may authorize a bond reimbursement resolution for General Capital projects that have a direct impact on the City's ad valorem tax rate when the bonds will be issued within the term of the existing City Council. In the event of unexpected circumstances that delay the timing of projects, or market conditions that prohibit financially sound debt issuance, the approved project can be postponed and considered by a future council until circumstantial issues can be resolved.

The City Council may also authorize revenue bond reimbursements for approved utility and other self-supporting capital projects within legislative limits. Currently revenue bonds must be issued within 18 months after an eligible bond funded project is begun.

The total outstanding bond reimbursements may not exceed the total amount of the City's reserve funds.

XV. FINANCIAL CONDITIONS, RESERVES, AND STABILITY RATIOS

The City of Georgetown will maintain budgeted minimum reserves in the ending working capital/fund balances to provide a secure, healthy financial base for the City in the event of a natural disaster or other emergency, allow stability of City operations should revenues fall short of budgeted projections and provide available resources to implement budgeted expenditures without regard to actual timing of cash flows into the City. Generally, if any existing reserve is used to cover expenses as described, the reserve should be restored in the next fiscal year. If the restoration within one year is impractical or places and undo strain of City services, staff shall recommend to Council an alternative timeline that is subject to Council approval.

A. **Operational Coverage** – The City’s goal is to maintain operations coverage of 1.0 (one), such that operating revenues will at least equal or exceed current operating expenditures. Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used only for emergencies or non-recurring expenditures, except when balances can be reduced because their levels exceed guideline minimums as stated below.

1. **Operating Reserves** – The City will maintain reserves at a minimum of seventy-five (75) days (20.83%) of net budgeted operating expenditures. Net budgeted operating expenditure is defined as total budgeted expenditures less interfund transfers and charges, capital improvements, direct cost for purchased power, debt service, non-operating special revenue funds and payments to third party grant agents. The amount of these funds are allocated within the following operating funds and using the following guidelines to maintain the fund balance, working capital and retained earnings (reserves) of the various operating funds at levels sufficient to protect the City’s creditworthiness, as well as, its financial position from unforeseeable emergencies. For asset replacement reserves, see *Section XI. Capital Maintenance and Replacement*.

Compliance Status – 75 day citywide reserves FY2022 in compliance.

2. **General Fund** – General Fund reserves will be assigned on the balance sheet. Reserves are allocated as follows:
 - a. Base Level Reserve – will equal ninety (90) days, or 25%, of current year budgeted operating expenditures designated for emergency use only.

Compliance Status – General Fund 90 day Reserve FY2022 in compliance.

- b. Economic Stability Reserve – will equal up to 6% of current year budgeted operating expenditures. The reserve will be designated to temporarily offset a decline in any General Fund revenue source during the current fiscal year or in planning the future budget year. The reserve may be used when growth in any General Fund revenue source from one fiscal year to the next is below zero. The reserve will be available to support only existing programs approved in a prior fiscal year.

Compliance Status – General Fund Stability Reserve FY2022 at 2%.

3. **Tourism Fund** – A minimum ninety (90) days of operating expenditures will be reserved within the fund balance. These funds are designated to be used to offset any potential revenue shortfall that occurs during the fiscal year.

Compliance Status – Tourism Fund Reserve FY2022 in compliance.

4. Joint Services Fund – A minimum ninety (90) days of operating expenses will be reserved for unexpected delays in revenue or emergency expenses.

Compliance Status – Joint Services Fund Reserve FY2022 partial compliance. It is estimated to take approximately 3 years to build the reserve to 90 days.

5. Fleet Fund – A minimum ninety (90) days of operating expenses will be reserved for unexpected delays in revenue or emergency expenses.

Compliance Status – Fleet Fund Reserve FY2022 in compliance.

6. Facilities Fund - A minimum ninety (90) days of operating expenses will be reserved for unexpected delays in revenue or emergency expenses.

Compliance Status – Facilities Fund Reserve FY2022 in compliance.

7. Information Technology Fund - A minimum ninety (90) days of operating expenses will be reserved for unexpected delays in revenue or emergency expenses.

Compliance Status – IT Fund Reserve FY2022 in compliance.

8. Water Services Fund – The Water Fund will maintain the following reserves and assign them on the balance sheet. These reserves are designated to be used to offset potential revenue shortfalls or fund unexpected or emergency expenses that occur during the fiscal year.

- a. Operations Contingency Reserve – A minimum ninety (90) days or 25% of operating expenses, including wholesale water contracts and net of transfers, designated for unexpected or emergency use during the fiscal year.

Compliance Status – Operating Water Fund Reserve FY2022 in compliance.

- b. Non-Operating Contingency Reserve – to maintain continuity of debt payments, capital projects and to begin recovering from a natural disaster during the lag time of revenue recovery. This reserve will be evaluated annually as part of the budget process, considering the 5 year CIP and future debt requirements.

Compliance Status – Non-operating Water Fund Reserve FY2022 in compliance.

9. Stormwater Drainage Fund – The Stormwater Fund will maintain the following reserves and assign them on the balance sheet:

- a. A minimum ninety (90) days or 25% of operating expenses, will be reserved in fund balance. These funds are designated to be used to offset any potential revenue shortfall that occurs during the fiscal year.

Compliance Status – Contingency Reserve FY2022 in compliance.

- b. A debt service reserve equal to 1x the upcoming debt service payment for existing debt (example - FY2020 reserve = FY2021 debt payment before new sale).

Compliance Status – Debt Service Reserve FY2022 in compliance.

10. Electric Fund – The Electric Fund will maintain the following reserves and assign them on the balance sheet:
- a. Operations Contingency Reserve – A minimum ninety (90) days or 25% of operating expenses, net of transfers and purchased power, designated for unexpected or emergency use during the fiscal year.

Compliance Status – Operating Contingency reserve FY2022 in compliance.

- b. Rate Stabilization Reserve – Up to 3 months of purchased power costs will be reserved to protect against energy market exposure and to maintain wholesale power contracts and stability until expenses are recovered through revenue generated in the Power Cost Adjustment Factor.

Compliance Status – Rate stabilization reserve FY2022 in compliance.

- c. Non-Operating Contingency Reserve – to maintain continuity and begin recovery process from a natural disaster during the lag time of revenue recovery:
 - 1% of historical rate base (total assets plus accumulated depreciation)
 - 1/5th of the average cash funded portion of the 5 year CIP
 - At least 50% of annual debt service payment

Compliance Status – Non-operating reserve FY2022 in compliance.

- d. Uses of Unanticipated and Unappropriated Electric Fund Balances – In the event that fund balance in the Electric Fund exceeds recommended minimum cash as enumerated in the above reserves, the funds may be used for the following purposes as approved by the City Council:
 - Reduce the Power Cost Adjustment
 - Reduce outstanding utility debt
 - Fund capital projects
 - Fund other one-time projects or equipment
11. Airport Fund – The Airport Fund will maintain the following reserves and assign them on the balance sheet;
- a. A contingency reserve of ninety (90) days of operating expenses will be maintained in the fund for unforeseen or emergency expenditures. The reserve will represent all operating expenses minus fuel costs and any transfers.

Compliance Status – Contingency Reserve FY2022 in compliance.

- b. A debt service reserve equal to 1x the upcoming debt service payment for existing debt (example - FY2020 reserve = FY2021 debt payment before new sale).

Compliance Status – Debt Service Reserve FY2022 in compliance.

12. GEDCO Fund –

a. A contingency reserve equal to 25% of budgeted sales tax revenue.

Compliance Status – Contingency Reserve FY2022 in compliance.

b. A debt service reserve equal to 1x the upcoming debt service payment for existing debt (example - FY2020 reserve = FY2021 debt payment before new sale).

Compliance Status – Debt Service Reserve FY2022 in compliance.

13. GTEC Fund –

a. A contingency reserve equal to 25% of budgeted sales tax revenue.

Compliance Status – Contingency Reserve FY2022 in compliance.

b. A debt service reserve equal to 1x the upcoming debt service payment for existing debt (example - FY2020 reserve = FY2021 debt payment before new sale).

Compliance Status – Debt Service Reserve FY2022 in compliance.

14. Rivory TIRZ Fund – A debt service reserve equal to 1x the upcoming debt service payment for existing debt (example - FY2020 reserve = FY2021 debt payment before new sale).

Compliance Status – Debt Service Reserve FY2022 in compliance.

15. Cemetery Fund – A perpetual reserve should build over time so that interest earnings can offset annual operational costs. The General Fund makes an annual transfer of \$75,000 to this fund.

Compliance Status – In FY2022 in compliance. The reserve has \$722,000. Annual operational costs are \$100,000. With an interest rate of 2%, the reserve needs a balance of \$5 million to support operations. This fund is not likely to build this level of reserve without a significant change in revenue.

For all other funds, the fund balance is an indication of the balance of each particular fund at a specific time. The ultimate goal of each such fund is to have expended the fund balance at the conclusion of the activity for which the fund was established.

Reserve requirements will be calculated as part of the annual budget process and any additional required funds to be added to the reserve balances will be appropriated within the budget.

Funds in excess of the minimum reserves within each fund may be expended for City purposes at the will of the City Council once it has been determined that use of the excess will not endanger reserve requirements in future years. This action requires an amendment to the City's Annual Budget and is outlined in *Section III. J. Use of Unanticipated and Unappropriated General Fund Balances.*

B. Liabilities and Receivables – Procedures will be followed to maximize discounts and reduce penalties offered by creditors. Current liabilities will be paid within 30 days of receiving the invoice. Accounts Receivable procedures will target collection for a maximum of 60 days of service. The Finance Director is authorized to write-off non-collectible, non-utility accounts that are delinquent for more than 180 days, and utility

accounts delinquent more than 180 days, provided proper delinquency procedures have been followed, and include this information in the Annual Financial Report to the City Council.

- C. **Capital Project Funds** – Every effort will be made for all monies within the Capital Project Funds to be expended in a timely manner preferably within thirty-six (36) months of receipt. Due to the long timeline of some projects, unused cash or bond proceeds will be reserved on the fund schedule and appropriated when needed. The fund balance will be invested, and income generated will offset increases in construction costs or other costs associated with the project. Capital project funds are intended to be expended totally, with any unexpected excess to be approved for use according to the bond covenant and opinion of bond counsel.
- D. **General Debt Service Funds** – Revenues within this fund are stable, based on property tax revenues. Balances are maintained to meet contingencies and to make certain that the next year's debt service payments may be met in a timely manner. Fund balance should not fall below 45 days annual debt service requirements, in accordance with IRS guidelines.

Compliance Status – Debt Fund Reserve FY2022 in compliance.

- E. **Investment of Reserve Funds** – The reserve funds will be invested in accordance with the City's investment policy.
- F. **Ratios/Trend Analysis** – Ratios and significant balances will be incorporated into the quarterly financial reports to the City Council for the Electric, Water and General Debt Service Funds. This information will provide users with meaningful data to identify major trends of the City's financial condition through analytical procedures. The following ratios/balances will be used as key financial indicators:

- Debt Ratio: Current liabilities plus long-term liabilities divided by total assets

$$\frac{CL + LTL}{TA}$$
 AL < 0.5
- Times Coverage Ratio: Operating revenue less operating expense divided by annual debt service

$$\frac{(OR - OE)}{DSV}$$
 AL > 1.5

The City will develop minimum/maximum levels for the above ratios/balances through analyzing of City historical trends and future projections.

XVI. RISK MANAGEMENT AND INTERNAL CONTROLS

- A. **Written Procedures** – Wherever possible, written procedures will be established and maintained by the Finance Director for all functions involving cash handling and/or accounting throughout the City. These procedures will embrace the general concepts of fiscal responsibility set forth in this policy statement.
- B. **Internal Audit Program** – An internal audit program will be maintained by the Finance Director to ensure compliance with City policies and procedures and to prevent the potential for fraud.

1. Departmental Audits – departmental processes will be reviewed to ensure dual control of City assets and identify the opportunity for fraud potential, as well as, to ensure that departmental internal procedures are documented and updated as needed.
 2. Employees or Transaction Review – Programs to be audited include Petty Cash, City Credit Card accounts, time entry, and travel. All discrepancies will be identified, and the employee’s Director will be notified. The City Manager will also be notified depending on the seriousness of the infraction.
 3. Fraud Awareness and Reporting – The City will maintain its personnel policy regarding fraud. They will maintain an arrangement with a third party for anonymous reporting of fraud, waste, or abuse of City resources. The City will provide training to all City employees on recognizing and reporting fraud.
 4. The Finance Director and City Manager will present an annual audit plan to the General Government and Finance board. Results of all internal audits will be provided to the GGAF and City Council at year-end.
- C. **Directors Responsibility** – Each Director is responsible for ensuring that good internal controls are followed throughout their department, that all Finance Division directives are implemented and that all independent auditor internal control recommendations are addressed. Departments will develop and periodically update written internal control procedures.
- D. **Cybersecurity** – The Information Technology department shall regularly assess new forms of security risk and maintain multiple layers of protections and controls to thwart cyber attacks. The City will provide regular cybersecurity awareness training for all employees.
- E. **Electric Utility Risk** – Chapter 13.38 of the City’s Code of Ordinances establishes Council’s authority to oversee all risk of the Electric utility including Congestion Revenue Rights auctions, wholesale power agreements, futures contracts, and other transactions that expose the City to significant risk.

City of Georgetown, Texas
Government and Finance Advisory Board
July 28, 2021

SUBJECT:

Consideration and possible action to recommend approval of a licensing Subscription Order form with Workday for an initial term of one year for \$465,852 and authorize the City Manager to execute up to three one-year renewals of the Subscription Order Form for a total cost of \$1,963,407.– Leigh Wallace, Finance Director and Workday Governance Committee Chair

ITEM SUMMARY:

Since 2018, the City's Human Resources, Finance and Information Technology Departments have been selecting and implementing a new Enterprise Resource Planning software system. The City selected Workday for its superior cloud environment, scalability as the organization grown, and end-user friendliness. The City went live on HR/Payroll functions in September of 2019, live on core financials in April of 2020, and live on Adaptive for budget planning in January of 2021.

The license subscription order forms are based on the SKUs (functional modules), FSEs (number of end users), and the rate (dollars). During the original contracting process in 2018, the City negotiated for software license subscription terms in blocks up to 10 years. The first block of 3 years was for \$1.2 million, plus new FSEs. The second block is for 4 years for \$1.7 million, plus new FSEs. The third block is for 3 years for \$1.4 million, plus new FSEs. The City is responsible for annual reporting of changes to the base number of FSEs. In other words, as the number of end users increases, the City's cost increases.

The purpose of this item is to approve the renewal of the second block under the terms negotiated in the original contract. The City will continue to pay for the same base fee, plus the same base incremental increase in number of end users. The reason the renewal amount is \$1.8 million, as opposed to \$1.7million, is the increase in the number of end users. There are no other factors for the increase. The \$1.9M figure in the agenda caption estimates adequate room for FSE increases during the 4-year term. Workday will only bill Georgetown for actual FSE increases.

In the third renewal block, the base fee increases by 5% per year in each of the 3 years, plus the cost of new FSEs.

On May 26, 2021, staff provided the General Government and Finance Advisory Board an update on the Workday system successes and challenges, as well as the plan for ongoing system support.

FINANCIAL IMPACT:

Total annual cost is \$465,852 per year, with a total cost of \$1,863,407 over the four year term, plus the increase in FSE count costs estimated up to \$100,000. Workday will only bill Georgetown for actual FSE increases measured annually. The annual budget is available in the IT Fund, software contracts line item.

SUBMITTED BY:

Sharon Parker

ATTACHMENTS:

	Description	Type
□	Presentation	Presentation
□	Order Form	Backup Material
□	Workday Master Services Agreement	Backup Material

Workday Subscription Renewal Term

GGAF July 28, 2021

Workday Overview

- **City of Georgetown's Enterprise Resource Planning system**
 - Human capital management, recruiting, performance, talent, benefits, payroll
 - Core financials, procure to pay, assets, projects, grants, banking, travel and expense
 - Budget planning and financial reporting
- **Implemented in 3 phases since 2018 – all phases are live since January 2021**

Original Contract Terms

- **Negotiated 10-year contract in 3 blocks**
 - Years 1 – 3 (2018, 2019, 2020)
 - Base fee, plus agreed rate for increase in number of users
 - Years 4 – 7 (2021, 2022, 2023, 2024)
 - Same base fee, plus same agreed rate for increase in number of users
 - Years 8 – 10 (2025, 2026, 2027)
 - 5% cost increase to the base per year, plus 5% increase to the rate for increase in number of users

Renewal Terms

- **Today's action is for Second renewal term for 4 years (2021 – 2024/FY2022 – FY2025)**
- **Base fee of \$465,852 per year**
 - Includes increases in user count since 2018
- **Additional cost per licensed user \$638.39**
 - Measured each year for changes to full-time, part-time, contractors and retirees
 - Estimating up to \$100K over the 4 years
 - Workday will only bill for actual increases in users measured annually
- **4-year total of \$1,963,407**

Next step

- Recommendation to Council to renew license subscription for 4-year term
- Staff still negotiating contracts for new round of 3rd party system support up to \$175K for FY2022 forward



MASTER SUBSCRIPTION AGREEMENT

This Master Subscription Agreement, effective as of the later of the dates beneath the parties' signatures below (the "Effective Date"), is by and between **Workday, Inc. ("Workday")** a Delaware corporation with offices at 6110 Stoneridge Mall Road, Pleasanton, CA 94588 and **City of Georgetown ("Customer")**, a Texas home-rule municipal corporation with offices at 113 E 8th Street, Georgetown, TX 78627. As Workday provides a subscription Service to which Customer intends to subscribe, this Agreement establishes the business relationship and allocation of responsibilities regarding the Service and the parties therefore agree as follows:

1. Provision of Service.

1.1 Workday Obligations. During the Term of this Agreement, Workday shall: (i) make the Service and improvements available to Customer in accordance with the Documentation, the SLA and pursuant to the terms of this Agreement; (ii) not use Customer Data except to provide the Service, or to prevent or address service or technical problems, verify Service Improvements, in accordance with this Agreement, and the Documentation, or in accordance with Customer's instructions; and (iii) not disclose Customer Data to anyone other than Authorized Parties in accordance with this Agreement. Workday will provide service credits to Customer according to the *Workday SLA Service Credit Exhibit* attached hereto.

1.2 Customer Obligations. Customer may enable access of the Service for use only by Authorized Parties solely for the internal business purposes of Customer and its Affiliates in accordance with the Documentation and not for the benefit of any third parties. Customer is responsible for all Authorized Party use of the Service and compliance with this Agreement. Customer shall: (a) have sole responsibility for the accuracy, quality, and legality of all Customer Data; and (b) take commercially reasonable efforts to prevent unauthorized access to, or use of, the Service through login credentials of Authorized Parties, and notify Workday promptly of any such unauthorized access or use. Customer shall not: (i) use the Service in violation of applicable Laws; (ii) in connection with the Service, send or store infringing, obscene, threatening, or otherwise unlawful or tortious material, including material that violates privacy rights; (iii) send or store Malicious Code in connection with the Service; (iv) interfere with or disrupt performance of the Service or the data contained therein; or (v) attempt to gain access to the Service or its related systems or networks in a manner not set forth in the Documentation. Customer shall designate a maximum number of named contacts as listed in the applicable Order Form to request and receive support services from Workday ("Named Support Contacts"). Named Support Contacts must be trained on the Workday product(s) for which they initiate support requests. Customer shall be liable for the acts and omissions of all Authorized Parties and Customer Affiliates relating to this Agreement.

2. Fees.

2.1 Invoices and Payment. Subscription Service Fees and all other fees due hereunder will be invoiced to Customer in the United States and payment will be remitted by Customer from the United States. Except as otherwise set forth in an Order Form and subject to the Texas Prompt Payment Act (Texas Government Code Chapter 2251), all fees due hereunder (except fees subject to good faith dispute) shall be due and payable within thirty (30) days of the later of invoice date or receipt by Customer of a complete and accurate invoice. Workday may send all Customer invoices electronically



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(by email or otherwise). All fees are quoted and payable in United States Dollars and are based on access rights acquired and not actual usage. Customer shall provide Workday with complete and accurate billing and contact information including a valid email address. Customer will make payments via electronic bank transfer; if, due to unforeseen circumstances, electronic transfer is not possible, Customer will contact Workday to make alternative payment arrangements. All remittance advice and invoice inquiries can be directed to Accounts.Receivable@workday.com. Provided Customer pays as described in an applicable Order Form, including any applicable Additional FSE Worker fee, Customer is entitled to use the features or functionality subscribed to under that Order Form during the term of that Order Form and will not be required to pay additional fees for use of such features or functionality.

2.2 Non-cancelable and non-refundable. Except as specifically set forth to the contrary under Section 6.2 “Warranty Remedies”, Section 6.3 “Access by Individuals with Disabilities”, Section 7 “Indemnification by Workday”, Section 9.2 “Termination”, Section 10.13 “Texas Family Code Child Support Certification”, Section 10.14 “Payment of Debt or Delinquency to the State”, Section 10.19 “Termination for Non-Appropriation”, the *Workday SLA Service Credit Exhibit* attached hereto, all payment obligations under any and all Order Forms are non-cancelable and all payments made are non-refundable.

2.3 Overdue Payments. Any payment not received from Customer by the due date will accrue (except with respect to charges then under reasonable and good faith dispute), interest or late fees in accordance with the Texas Prompt Payment Act, Tex. Government Code, Chapter 2251 (or successor statute).

2.4 Non-Payment and Suspension of Service. If Customer's account is more than thirty (30) days past due (except with respect to charges subject to a reasonable and good faith dispute), in addition to any other rights or remedies it may have under this Agreement or by law, Workday reserves the right to suspend the Service in accordance with Chapter 2251, Subchapter D of the Texas Government Code upon thirty (30) days written notice, without liability to Customer, until such amounts are paid in full. Workday may not initiate the suspension notice prior to Customer's account being thirty (30) days past the thirty (30) day payment period specified in Section 2.2, and notwithstanding any language in Chapter 2251, Subchapter D of the Texas Government Code which allows for an earlier suspension, will allow a thirty (30) day cure period prior to suspending the Service. Such notice shall clearly and prominently state that the Service is at risk of suspension and shall not solely take the form of an invoice with an overdue notice. Workday shall make a commercially reasonable attempt to identify alternative Customer contacts if Customer does not respond to an overdue notice.

2.5 Taxes. *This section applies only if Customer has not provided Workday with a tax exemption certificate authorized and honored by applicable taxing authorities that covers all Transaction Taxes.* Subscription Services Fees and all other fees invoiced pursuant to this Agreement do not include in its price any transaction taxes, which may include local, state, provincial, federal or foreign taxes, levies, duties or similar governmental assessments of any nature, including, but not limited to, value-



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added taxes ("VAT"), excise, use, goods and services taxes ("GST/HST"), consumption taxes or similar taxes (collectively defined as "Transaction Taxes"). Subscription Service Fees and all other fees invoiced pursuant to this Agreement are payable in full and without reduction for Transaction Taxes and/or foreign withholding taxes (collectively defined as "Taxes"). Customer is responsible for paying all Taxes imposed on the Service or any other services provided under this Agreement. If Workday has a legal obligation to pay or collect Taxes for which Customer is responsible under this Agreement, the appropriate amount shall be computed based on Customer's address listed in the first paragraph of this Agreement which will be used as the ship-to address on the Order Form, and invoiced to and paid by Customer, unless Customer provides Workday with a valid tax exemption certificate authorized by the appropriate taxing authority.

3. Proprietary Rights.

3.1 Ownership and Reservation of Rights to Workday Intellectual Property. Workday and its licensors own all right, title and interest in and to the Service, Documentation, and other Workday Intellectual Property Rights. Subject to the limited rights expressly granted hereunder, Workday reserves all rights, title and interest in and to the Service, and Documentation, including all related Intellectual Property Rights. No rights are granted to Customer hereunder other than as expressly set forth herein.

3.2 Grant of Rights. Workday hereby grants Customer (for itself and those of Customer's Affiliates and Authorized Parties for whom Customer enables access to the Service) a non-exclusive, non-transferable, right to use the Service and Documentation, solely for the internal business purposes of Customer and its Affiliates and solely during the Term, subject to the terms and conditions of this Agreement within scope of use defined in the relevant Order Form. The Service is provided in U.S. English. Workday has translated portions of the Service into other languages. Customer and its Authorized Parties may only use the translated portions of the Service for the number of languages listed in the applicable Order Form.

3.3 Restrictions. Customer shall not (i) modify or copy the Service or Documentation or create any derivative works based on the Service or Documentation; (ii) license, sublicense, sell, resell, rent, lease, transfer, assign, distribute, time share, offer in a service bureau, or otherwise make the Service or Documentation available to any third party, other than to Authorized Parties as permitted herein; (iii) reverse engineer or decompile any portion of the Service or Documentation, including but not limited to, any software utilized by Workday in the provision of the Service and Documentation, except to the extent required by Law; (iv) access the Service or Documentation in order to build any commercially available product or service; or (v) copy any features, functions, integrations, interfaces or graphics of the Service or Documentation.

3.4 Ownership of Customer Data. As between Workday and Customer, Customer owns its Customer Data.

3.5 Customer Input. Workday shall have a royalty-free, worldwide, transferable, sub-licensable, irrevocable, perpetual license to use or incorporate into the Service any Customer Input. Workday



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shall have no obligation to make Customer Input an Improvement. Customer shall have no obligation to provide Customer Input.

4. Confidentiality.

4.1 Confidentiality. A party shall not disclose or use any Confidential Information of the other party except as reasonably necessary to perform its obligations or exercise its rights pursuant to this Agreement except with the other party's prior written permission.

4.2 Protection. Each party agrees to protect the Confidential Information of the other party in the same manner that it protects its own Confidential Information of like kind, but in no event using less than a reasonable standard of care.

4.3 Compelled Disclosure.

(a) **General.** A disclosure by one party of Confidential Information of the other party to the extent required by Law shall not be considered a breach of this Agreement, provided the party so compelled promptly provides the other party with prior notice of such compelled disclosure (to the extent legally permitted) and provides reasonable assistance, at the other party's cost, if the other party wishes to contest the disclosure.

(b) **Texas Public Information Act.** Workday acknowledges that Customer cannot guarantee that any information received will be kept confidential if there is a request for it under the Public Information Act, Texas Government Code, Chapter 552 (the "Act"). The Act provides that all information in the possession of a governmental body is generally available to the public, and if the governmental body wishes to withhold information from a member of the public, it must show that the requested information is within one of the exceptions to required public disclosure. Should someone make an open records request, then Customer will notify Workday in writing with ten (10) business days after receiving the request for the information. Workday bears the burden of demonstrating to the satisfaction of the Texas Attorney General's Office that the information relates to a trade secret or is commercial or financial information that, based on specific factual evidence, the disclosure of such would cause substantial competitive harm to the person from whom the information was obtained or is otherwise not subject to disclosure under the Act. Any release of Confidential Information required by the Texas Public Information Act and the Texas Attorney General shall be considered a Compelled Disclosure.

4.4 Remedies. If a party discloses or uses (or threatens to disclose or use) any Confidential Information of the other party in breach of confidentiality protections hereunder, the other party shall have the right, in addition to any other remedies available, to seek injunctive relief to enjoin such acts, it being acknowledged by the parties that any other available remedies are inadequate.

4.5 Exclusions. Confidential Information shall not include any information that: (i) is or becomes generally known to the public without breach of any obligation owed to the other party; (ii) was known to a party prior to its disclosure by the other party without breach of any obligation owed to the other party; (iii) was independently developed by a party without breach of any obligation owed to the other



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party; or (iv) is received from a third party without breach of any obligation owed to the other party. Customer Data shall not be subject to the exclusions set forth in this Section.

5. Customer Data.

5.1 Protection and Security. During the Term of this Agreement, Workday shall maintain a formal security program materially in accordance with industry standards that is designed to: (i) ensure the security and integrity of Customer Data; (ii) protect against threats or hazards to the security or integrity of Customer Data; and (iii) prevent unauthorized access to Customer Data. Such security program will conform to the *Workday Security Exhibit* attached hereto, and is further described in Workday's most recently completed Service Organization Control 1 (SOC1) and Service Organization Control 2 (SOC2) audit reports or industry-standard successor reports. The most recently completed, as of the Effective Date, SOC1 and SOC2 audit reports are referred to as the "Current Audit Reports". Each year, Workday will retain a nationally recognized public accounting firm to produce such an audit report relating to the Service at Workday's cost. In no event during the Term shall Workday materially diminish the protections provided by the controls set forth in Workday's Security Exhibit and the Current Audit Reports. Workday will promptly remediate any material deficiencies identified in the Current Audit Report. Upon Customer's request, Workday will provide Customer with a copy of Workday's then-current SOC1 and SOC2 audit reports or comparable industry-standard successor report prepared by Workday's independent third party auditor. Workday is self-certified to the EU-U.S. Privacy Shield Framework maintained by the U.S. Department of Commerce ("Privacy Shield") and will remain certified for the Term of the Agreement provided that the Privacy Shield is recognized by the European Commission as a legitimate basis for the transfer of Personal Data to an entity located in the United States. The *Data Processing Exhibit* attached hereto will apply to the processing of Personal Data (as defined in the Data Processing Exhibit). Workday designs its Service to allow Customers to achieve differentiated configurations, enforce user access controls, and manage data categories that may be populated and/or made accessible on a country-by-country basis. Customer understands that its use of the Service and compliance with any terms hereunder does not constitute compliance with any Law. Customer understands the Service does not include Workday's provision of legal advice or compliance monitoring services. Customer and Workday understand that each have an independent duty to comply with any and all Laws applicable to it. Upon written request from the Customer Workday shall provide an executive summary of Workday's application penetration test of the Service. If such testing reveals any material security vulnerability in the Service then Workday shall report such security vulnerability within the report and shall include a summary description of the security vulnerability. Workday will take reasonable and prompt action to address such vulnerability. In the event of a high or medium vulnerability listed in the any of the security audits required under this Section 5.1 that has not been fixed, then Workday (upon Customer's written request) shall be available for a discussion to provide additional information, to the extent that this information would not impact the confidentiality, integrity or availability of the Service.

5.2 Unauthorized Disclosure. If either party believes that there has been a Security Breach, such party must promptly notify the other party, unless legally prohibited from doing so, within forty-eight hours or any shorter period as may be required by Law. Additionally, each party will reasonably assist the other party in mitigating any potential damage. Each party shall bear the costs of such remediation



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or mitigation to the extent the breach or security incident was caused by it except as such costs may be allocated pursuant to Section 5.3. As soon as reasonably practicable after any such Security Breach that is not clearly attributable to Customer or its Authorized Parties, Workday shall conduct a root cause analysis and, upon request, will share the results of its analysis and its remediation plan with Customer.

5.3 Workday Remediation of Certain Unauthorized Disclosures. In the event that any unauthorized access to or acquisition of Personal Data is caused by Workday's breach of its security and/or privacy obligations under this Agreement, Workday shall pay the reasonable and documented costs incurred by Customer in connection with the following items: (a) costs of any required forensic investigation to determine the cause of the breach, (b) providing notification of the security breach to applicable government and relevant industry self-regulatory agencies, to the media (if required by applicable Law) and to individuals whose Personal Data may have been accessed or acquired, (c) providing credit monitoring service to individuals whose Personal Data may have been accessed or acquired for a period of one year after the date on which such individuals were notified of the unauthorized access or acquisition for such individuals who elected such credit monitoring service, and (d) operating a call center to respond to questions from individuals whose Personal Data may have been accessed or acquired for a period of one year after the date on which such individuals were notified of the unauthorized access or acquisition. NOTWITHSTANDING THE FOREGOING, OR ANYTHING IN THE AGREEMENT TO THE CONTRARY, WORKDAY SHALL HAVE NO RESPONSIBILITY TO PAY COSTS OF REMEDIATION THAT ARE DUE TO RECKLESS MISCONDUCT, GROSS NEGLIGENCE, WILLFUL MISCONDUCT AND/OR FRAUD BY CUSTOMER OR ITS EMPLOYEES, AGENTS OR CONTRACTORS.

6. Warranties and Disclaimers.

6.1 Warranties. Each party warrants that it has the authority to enter into this Agreement and, in connection with its performance of this Agreement, shall comply with all Laws applicable to it related to data privacy, international communications and the transmission of technical or personal data. Workday warrants that during the Term (i) the Service shall perform materially in accordance with the Documentation in effect as of the Effective Date; (ii) the functionality of the Service as the functionality is shown in the Documentation in effect as of the Effective Date, will not be materially decreased during the Term; (iii) to the best of its knowledge, the Service does not contain any Malicious Code; and (iv) it is duly organized, validly existing and in good standing under the laws of the state of its incorporation or organization and is duly authorized and in good standing to conduct business in the State of Texas, and the individual executing the Agreement on behalf of Workday has been duly authorized to act for and bind Workday. Workday further warrants that it will not knowingly introduce any Malicious Code into the Service. Malicious Code, no matter how introduced, will be remedied in accordance with Section 6.2.

6.2 Warranty Remedies. In the event of a breach of the warranty set forth in Section 6.1 (i) or (ii), or upon the discovery of Malicious Code in the Service, (a) Workday shall correct the non-conforming Service at no additional charge to Customer, or (b) in the event Workday is unable to



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correct such deficiencies after good-faith efforts, Workday shall refund Customer amounts paid that are attributable to the defective Service from the date Workday received such notice through the date of remedy, if any. To receive financial warranty remedies, Customer must promptly report deficiencies in writing to Workday, but no later than thirty (30) days of the first date the deficiency is identified by Customer, but Customer's failure to notify Workday within such thirty (30) day period shall not affect Customer's right to receive the remedy in Section 6.2(a) unless Workday is somehow unable, or impaired in its ability to, correct the deficiency due to Customer's failure to notify Workday within the thirty (30) day period. Notice of breaches of the warranty in Section 6.1(i) or (iii) shall be made through Workday's then-current error reporting system; notices of breaches of any other warranty shall be made in writing to Workday in accordance with the Notice provisions of this Agreement. The remedies set forth in this subsection shall be Customer's sole remedy and Workday's sole liability for breach of these warranties unless the breach of warranty constitutes a material breach of the Agreement and Customer elects to terminate the Agreement in accordance with the Section entitled "Termination." Workday agrees Section 6.1(i) and (ii) are material terms of this Agreement.

6.3 Access by Individuals with Disabilities. Workday represents and warrants that the Service and all related Documentation, or support (collectively "E&IR") that it provides under this Agreement are in compliance with the applicable requirements set forth in Title 1, Chapter 213 of the *Texas Administrative Code* as referenced in its then-current *Accessibility in Workday Applications* document, which summarizes the Service's compliance with the regulations promulgated under Section 508 of the U.S. Rehabilitation Act and is updated on a periodic basis to reflect updates in the Service. In the event that Customer becomes aware that the representations and warranties made by Workday under the preceding sentence, or any portion thereof, are not accurate, then Customer will notify Workday of the non-compliant E&IR, and, in turn, Workday will, at no cost to Customer, either (1) perform all necessary remediation on such an E&IR so that the above representations and warranties are accurate or (2) provide a replacement for that E&IR that satisfies the above representations and warranties. In the event Workday determines that it is not able to perform the remediation or the replacement set forth in the preceding sentence, then Workday will notify Customer and Customer may, within ninety (90) days of receipt of such notice, notify Workday of its decision to terminate use of the noncompliant portion of the E&IR provided by Workday under this Agreement and the effective date of such termination, which may occur after the date of such notice, in which case Workday will refund to Customer all amounts it has paid under this Agreement for such noncompliant portion of the E&IR commencing upon the date that the noncompliance was first reported to Workday. Notwithstanding anything to the contrary in this Agreement, to the extent authorized by the laws and Constitution of the State of Texas, this paragraph states the complete and exclusive remedy for claims related to access by individuals with disabilities.

Notwithstanding the previous paragraph, the Workday representation and warranty set forth in this Section 6.3 does not apply to (1) any software owned, provided, or licensed by a party other than Workday or identified on the applicable Order Form as a third party program ("Third Party Programs"), (2) to any Workday products identified by the Texas Department of Information Resources ("DIR") as exempt from the applicable provisions of Title 1, Chapter 213 of the *Texas*



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Administrative Code under the “Exceptions and Exemptions” page in the Statewide EIR Accessibility section of the State Web Site Guidelines available from <http://www.dir.state.tx.us/management/accessibility/Pages/ExceptionsandExemptions.aspx>, or (3) to Workday products for which an exception from compliance with Chapter 213 of Title 1 of the *Texas Administrative Code* is approved pursuant to §2054.460 of the *Texas Government Code* and Title 1, Chapter 213 of the *Texas Administrative Code*.

6.4 DISCLAIMER. EXCEPT AS EXPRESSLY PROVIDED HEREIN AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, WORKDAY MAKES NO WARRANTIES OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SERVICE AND/OR RELATED DOCUMENTATION. WORKDAY DOES NOT WARRANT THAT THE SERVICE WILL BE ERROR FREE OR UNINTERRUPTED. THE LIMITED WARRANTIES PROVIDED HEREIN ARE THE SOLE AND EXCLUSIVE WARRANTIES PROVIDED TO CUSTOMER IN CONNECTION WITH THE PROVISION OF THE SERVICE.

7. Indemnification.

7.1 INDEMNIFICATION BY WORKDAY. WORKDAY SHALL DEFEND, INDEMNIFY AND HOLD CUSTOMER HARMLESS AGAINST ANY LOSS, DAMAGE OR COSTS (INCLUDING REASONABLE ATTORNEYS' FEES) IN CONNECTION WITH CLAIMS, DEMANDS, SUITS, OR PROCEEDINGS (“CLAIMS”) MADE OR BROUGHT AGAINST CUSTOMER BY A THIRD PARTY : (I) ALLEGING THAT THE USE OF THE SERVICE AS CONTEMPLATED HEREUNDER INFRINGES ANY THIRD PARTY’S INTELLECTUAL PROPERTY RIGHTS; OR (II) FOR BODILY INJURY, DEATH OR DAMAGE TO REAL OR TANGIBLE PROPERTY BROUGHT AGAINST CUSTOMER TO THE EXTENT CAUSED BY WORKDAY OR ITS EMPLOYEES WHILE ON CUSTOMER PREMISES OR WHILE IN TRANSIT TO AND FROM CUSTOMER PREMISES FOR THE PURPOSE OF PERFORMING WORK ASSOCIATED WITH THIS AGREEMENT. IF CUSTOMER IS ENJOINED FROM USING THE SERVICE OR WORKDAY REASONABLY BELIEVES IT WILL BE ENJOINED IN ASSOCIATION WITH A CLAIM OF INFRINGEMENT OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, WORKDAY SHALL HAVE THE RIGHT, AT ITS SOLE OPTION, TO OBTAIN FOR CUSTOMER THE RIGHT TO CONTINUE USE OF THE SERVICE OR TO REPLACE OR MODIFY THE SERVICE SO THAT IT IS NO LONGER INFRINGING. IF NEITHER OF THE FOREGOING OPTIONS IS REASONABLY AVAILABLE TO WORKDAY, THEN USE OF THE SERVICE MAY BE TERMINATED AT EITHER PARTY’S OPTION AND WORKDAY’S SOLE LIABILITY SHALL BE TO REFUND ANY PREPAID FEES FOR THE SERVICE THAT WERE TO BE PROVIDED AFTER THE EFFECTIVE DATE OF TERMINATION.

7.2 PROCESS: WORKDAY’S INDEMNIFICATION OBLIGATIONS REQUIRE THAT CUSTOMER: (A) PROMPTLY GIVES WRITTEN NOTICE OF THE CLAIM TO WORKDAY;



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(B) GIVES WORKDAY SOLE CONTROL OF THE DEFENSE AND SETTLEMENT OF THE CLAIM (PROVIDED THAT WORKDAY MAY NOT SETTLE ANY CLAIM UNLESS IT UNCONDITIONALLY RELEASES CUSTOMER OF ALL LIABILITY); AND (C) PROVIDES TO WORKDAY, AT WORKDAY'S COST, ALL REASONABLE ASSISTANCE

7.3 LIMITATION ON OBLIGATIONS: WITH RESPECT TO THE INDEMNIFICATION OBLIGATION IN SECTION 7(I), WORKDAY SHALL NOT BE REQUIRED TO INDEMNIFY CUSTOMER TO THE EXTENT THAT THE ALLEGED INFRINGEMENT ARISES FROM: (W) MODIFICATION OF THE SERVICE BY CUSTOMER, ITS EMPLOYEES, OR AUTHORIZED PARTIES IN CONFLICT WITH CUSTOMER'S OBLIGATIONS OR AS A RESULT OF ANY PROHIBITED ACTIVITY AS SET FORTH HEREIN; (X) USE OF THE SERVICE IN A MANNER INCONSISTENT WITH THE DOCUMENTATION; (Y) USE OF THE SERVICE IN COMBINATION WITH ANY OTHER PRODUCT OR SERVICE NOT PROVIDED BY WORKDAY; OR (Z) USE OF THE SERVICE IN A MANNER NOT OTHERWISE CONTEMPLATED BY THIS AGREEMENT. WITH RESPECT TO THE INDEMNIFICATION OBLIGATION IN SECTION 7(II), WORKDAY IS NOT PRECLUDED FROM UTILIZING ANY AFFIRMATIVE DEFENSES ALLOWABLE UNDER LAW TO REDUCE ITS LIABILITY OR FROM ALLEGING THAT CUSTOMER WAS JOINTLY OR CONCURRENTLY NEGLIGENT IN CAUSING THE HARM TO REDUCE WORKDAY'S LIABILITY.

8. Limitation of Liability.

8.1 LIMITATION OF LIABILITY. TO THE MAXIMUM EXTENT PERMITTED BY LAW AND EXCEPT WITH RESPECT TO (i) WORKDAY'S INDEMNIFICATION OBLIGATIONS IN SECTION 7, (ii) RECKLESS MISCONDUCT, GROSS NEGLIGENCE, WILLFUL MISCONDUCT AND/OR FRAUD, (iii) CLAIMS FOR BODILY INJURY, DEATH OR DAMAGE TO TANGIBLE PERSONAL PROPERTY OR REAL PROPERTY; (iv) WORKDAY'S REMEDIATION OBLIGATIONS IN SECTION 5.3; OR (v) CUSTOMER'S PAYMENT OBLIGATIONS;

8.2 (a) IN NO EVENT SHALL EITHER PARTY'S (OR WORKDAY'S AFFILIATES' OR THIRD PARTY LICENSORS') AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT, WHETHER IN CONTRACT, TORT OR OTHERWISE, EXCEED THE FEES ACTUALLY PAID OR PAYABLE BY CUSTOMER UNDER THIS AGREEMENT DURING THE IMMEDIATELY PRECEDING TWENTY FOUR (24) MONTH PERIOD FOR THE SERVICE FROM WHICH THE CLAIM AROSE (OR FOR A CLAIM ARISING BEFORE THE FIRST ANNIVERSARY OF THE EFFECTIVE DATE, THE AMOUNT PAID OR PAYABLE FOR THE FIRST TWENTY-FOUR (24) MONTH PERIOD)

(b) WORKDAY'S AGGREGATE LIABILITY FOR ITS BREACH OF THIS AGREEMENT (INCLUDING THE DATA PROCESSING EXHIBIT) RESULTING IN THE UNAUTHORIZED DISCLOSURE OF CUSTOMER DATA, SHALL NOT EXCEED THE FEES PAID OR PAYABLE BY CUSTOMER UNDER THIS AGREEMENT DURING THE



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IMMEDIATELY PRECEDING TWENTY-FOUR (24) MONTH PERIOD FOR THE SERVICE FROM WHICH THE CLAIM AROSE (OR, FOR A CLAIM ARISING BEFORE THE SECOND ANNIVERSARY OF THE EFFECTIVE DATE, THE AMOUNT PAID OR PAYABLE FOR THE FIRST TWENTY-FOUR (24) MONTH PERIOD).

For the purposes of 8.1 (a) and (b) above: (i) if the subscription fee for the service from which the claim arises is not stated by sku on the order form, the subscription fee that is used to determine the applicable limitation of liability shall be the fees for the entire applicable grouping of skus that are priced together on the applicable order form

8.2 Exclusion of Damages. EXCEPT WITH RESPECT TO AMOUNTS TO BE PAID BY EITHER PARTY PURSUANT TO A COURT AWARD (OTHER THAN A DEFAULT JUDGMENT) OR SETTLEMENT AS WELL AS THE DEFENSE COSTS UNDER THE INDEMNIFICATION OBLIGATIONS NO MATTER HOW SUCH DAMAGES MAY BE CHARACTERIZED, IN NO EVENT SHALL EITHER PARTY HAVE ANY LIABILITY TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED, OR FOR ANY LOST PROFITS, LOSS OF USE, COST OF DATA RECONSTRUCTION, COST OR PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, WHETHER IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF, OR IN ANY WAY CONNECTED WITH THE SERVICE, INCLUDING BUT NOT LIMITED TO THE USE OR INABILITY TO USE THE SERVICE, ANY INTERRUPTION, INACCURACY, ERROR OR OMISSION, EVEN IF THE PARTY FROM WHICH DAMAGES ARE BEING SOUGHT OR SUCH PARTY'S LICENSORS OR SUBCONTRACTORS HAVE BEEN PREVIOUSLY ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGES. CUSTOMER WILL NOT ASSERT THAT ITS PAYMENT OBLIGATIONS AS SET FORTH IN AN ORDER FORM ARE EXCLUDED AS WORKDAY'S LOST PROFITS.

8.3 DIRECT DAMAGES. SUBJECT TO SECTION 8.1 AND NOTWITHSTANDING SECTION 8.2 ABOVE, THE PARTIES AGREE THAT WITH RESPECT TO SECTION 8.1(B) CLAIMS THE FOLLOWING SHALL BE CONSIDERED DIRECT DAMAGES AND WORKDAY SHALL REIMBURSE CUSTOMER FOR REASONABLE COSTS AND EXPENSES ACTUALLY PAID TO THIRD PARTIES FOR: (i) FINES AND PENALTIES IMPOSED BY GOVERNMENTAL AUTHORITY ARISING FROM SUCH BREACH; AND (ii) LEGAL FEES, INCLUDING REASONABLE ATTORNEY'S FEES, TO DEFEND AGAINST THIRD PARTY CLAIMS ARISING FROM SUCH SECURITY BREACH; AND FOR CLAIMS DEFENDED BY CUSTOMER, AMOUNTS PAID TO AFFECTED THIRD PARTIES AS DAMAGES OR SETTLEMENTS ARISING FROM SUCH SECURITY BREACH.

9. Term and Termination.

9.1 Term of Agreement. The Term of this Agreement commences on the Effective Date and continues until the stated term in all Order Forms has expired or has otherwise been terminated, unless otherwise extended pursuant to the written agreement of the parties. Subscriptions to the Service commence on the date, and are for a period, as set forth in the applicable Order Form. Workday shall



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use commercially reasonable efforts to provide Customer with ninety (90) days prior written notice of the end of the then current term.

9.2 Termination. Either party may terminate this Agreement: (i) upon thirty (30) days prior written notice to the other party of a material breach by the other party if such breach remains uncured at the expiration of such notice period; or (ii) immediately in the event the other party becomes the subject of a petition in bankruptcy or any other proceeding relating to insolvency, receivership, liquidation or assignment for the benefit of creditors. In the event the Agreement is terminated, all Order Forms are simultaneously terminated. Upon any termination by Customer pursuant to this section, Workday shall refund Customer any prepaid fees for the affected Service that were to be provided after the effective date of termination.

9.3 Effect of Termination. Upon any termination of this Agreement, Customer shall, as of the date of such termination, immediately cease accessing and otherwise utilizing the applicable Service (except as permitted under the section entitled "Retrieval of Customer Data") and Workday Confidential Information. Termination for any reason shall not relieve Customer of the obligation to pay any fees accrued or due and payable to Workday prior to the effective date of termination and termination for any reason other than for Workday's uncured material breach or the reasons set forth in Section 2.1 shall not relieve Customer of the obligation to pay all future amounts due under all order forms.

9.4 Retrieval of Customer Data. Upon written request by Customer made prior to any expiration or termination of this Agreement, Workday will make Customer Data available to Customer through the Service solely for purposes of Customer retrieving Customer Data for a period of up to sixty (60) days after such request is received by Workday. After such sixty (60) day period, Workday will have no obligation to maintain or provide any Customer Data and shall thereafter, unless legally prohibited, delete all Customer Data by deletion of Customer's Tenant; provided, however, that Workday will not be required to remove copies of the Customer Data from its backup media and servers until such time as the backup copies are scheduled to be deleted, provided further that in all cases Workday will continue to protect the Customer Data in accordance with this Agreement. The foregoing deletion obligation will be subject to any retention obligations imposed on Workday by Law. Additionally, during the Term of the Agreement, Customers may extract Customer Data using Workday's standard web services.

9.5 Transition Period before Final Termination. Upon any termination of the Agreement, Workday shall, upon Customer's request, continue to provide the Service to Customer (except where Workday is enjoined) pursuant to the terms of this Agreement for a transitional period of up to six (6) months (the "Transition Period"). Access to the Service during the Transition Period will be subject to the fees set out in the applicable Order Form, prorated on a monthly basis and payable in advance, based on the annual fees for the Service during calendar period of the Transition Period if the Order Form has fees for such calendar period, and for any portion of the Transition Period not covered by pre-negotiated fees on the Order Form, based upon the annual fees for the twelve month period immediately preceding the termination date plus an additional five percent (5%). During the



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Transition Period, Workday will provide cooperation and assistance as Customer may reasonably request to support an orderly transition to another provider of similar software, services, or to Customer's internal operations. Such cooperation and assistance will be limited to consulting regarding the Workday Service and will be subject to a fee based on Workday's then-current rates for consulting services and such services will be set out in a statement of work to a professional services agreement between the parties. Notwithstanding the foregoing, in the event of termination of this Agreement by Workday for breach by Customer, Workday may withhold the provision of transition Services and condition further performance upon (i) payment of undisputed fees then owed, (ii) prepayment of fees for further services, and (iii) receipt by Workday of an officer's certificate from Customer certifying ongoing compliance with the terms of this Agreement during the Transition Period.

9.6 Surviving Provisions. The following provisions of this Agreement shall not survive and will have no further force or effect following any termination or expiration of this Agreement: (i) subsection (i) of Section 1.1 "Workday Obligations"; (ii) Section 3.2 "Grant of Rights"; and (iii) any Order Form(s). All other provisions of this Agreement shall survive any termination or expiration of this Agreement.

10. General Provisions.

10.1 Relationship of the Parties. The parties are independent contractors. This Agreement does not create nor is it intended to create a partnership, franchise, joint venture, agency, fiduciary or employment relationship between the parties. There are no third-party beneficiaries to this Agreement.

10.2 Insurance. Workday will maintain during the entire Term of this Agreement, at its own expense, the types of insurance coverage specified below, on standard policy forms and with insurance companies with at least an A.M. Best Rating of A- VII authorized to do business in the jurisdictions where the Workday services are to be performed.

- (a) Workers' Compensation insurance prescribed by applicable local law and Employers Liability insurance with limits not less than \$1,000,000 per accident/per employee. This policy shall include a waiver of subrogation against Customer
- (b) Business Automobile Liability covering all vehicles that Workday owns, hires or leases with a limit of no less than \$1,000,000 (combined single limit for bodily injury and property damage) for each accident.
- (c) Commercial General Liability insurance including Contractual Liability Coverage, with coverage for products liability, completed operations, property damage and bodily injury, including death, with an aggregate limit of no less than \$2,000,000. This policy shall name Customer as an additional insured with respect to the provision of services provided under this Agreement. This policy shall include a waiver of subrogation against Customer.



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- (d) Technology Professional Liability Errors & Omissions policy (which includes Cyber Risk coverage and Computer Security and Privacy Liability coverage) with a limit of no less than \$10,000,000 per occurrence and in the aggregate.
- (e) Crime policy with a limit of no less than \$5,000,000 per occurrence and in the aggregate.
- (f) Excess Liability/Umbrella coverage with a limit of no less than \$9,000,000 per occurrence and in the aggregate (such limit may be achieved through increase of limits in underlying policies to reach the level of coverage shown here). This policy shall name Customer as an additional insured with respect to the provision of services provided under this Agreement. This policy shall include a waiver of subrogation against Customer.

Workday shall deliver to Customer a certificate(s) of insurance evidencing the coverage specified in this Section upon execution of this Agreement. Such certificate(s) will contain a thirty (30) day prior notice of cancellation provision. Workday will be solely responsible for any deductible or self-insurance retentions. Such insurance coverage will be primary and any other valid insurance existing will be in excess of such primary insurance policies. The required insurance coverage and limits of liability set forth above shall not be construed as a limitation or waiver of any potential liability of satisfaction of any indemnification/hold harmless obligation of Workday. Should Customer require subsequent certificates of insurance, they shall be provided upon Customer request.

10.3 Notices. All notices under this Agreement must be in writing sent either by hand delivery; certified mail, return receipt requested; or overnight courier addressed to the appropriate address set forth below::

If to Workday:

General Counsel
Workday, Inc.
6110 Stoneridge Mall Rd.
Pleasanton, CA 94588

If to Customer:

The City of Georgetown
Attn: City Manager
P.O. Box 409
Georgetown, TX 78627
With a copy to: City Attorney

Any notice or communication shall be deemed to have been received: (a) if delivered by hand, on signature of a delivery receipt or at the time the notice is left at the proper address; (b) if sent by certified mail or overnight courier, at 9.00 am on the second Business Day after posting or at the time recorded by the delivery service. This section does not apply to the service of any proceedings or other documents in any legal action. For the purposes of this clause, "writing" shall not include e-mail.

10.4 Waiver and Cumulative Remedies. No failure or delay by either party in exercising any right under this Agreement shall constitute a waiver of that right or any other right. Other than as expressly stated herein, the remedies provided herein are in addition to, and not exclusive of, any other remedies of a party at law or in equity.



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10.5 Force Majeure. Neither party shall be liable for any failure or delay in performance under this Agreement for causes beyond that party's reasonable control and occurring without that party's fault or negligence, including, but not limited to, acts of God, acts of government, flood, fire, civil unrest, acts of terror, strikes or other labor problems (other than those involving Workday or Customer employees, respectively), and/or, where Workday is in compliance with its security and backup obligations under this Agreement, computer attacks or malicious acts, such as attacks on or through the Internet, any Internet service provider, telecommunications or hosting facility. Dates by which performance obligations are scheduled to be met will be extended for a period of time equal to the time lost due to any delay so caused.

10.6 Assignment. Neither party may assign any of its rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of the other party (which consent shall not be unreasonably withheld). Notwithstanding the foregoing, either party may assign this Agreement in its entirety (including all Order Forms) without consent of the other party in connection with a merger, acquisition, corporate reorganization, or sale of all or substantially all of its assets so long as the assignee agrees to be bound by all of the terms of this Agreement and all past due fees are paid in full. Any attempt by a party to assign its rights or obligations under this Agreement other than as permitted by this section shall be void and of no effect. Subject to the foregoing, this Agreement shall bind and inure to the benefit of the parties, their respective successors and permitted assigns.

10.7 Governing Law. This Agreement shall be governed exclusively by the internal laws of the State of Texas, without regard to its conflicts of laws rules. Sole and exclusive jurisdiction for any dispute arising under this Agreement shall be in the state and federal courts for the City of Georgetown, Texas.

10.8 Export. Each party shall comply with the export laws and regulations of the United States and other applicable jurisdictions in providing and using the Service. Without limiting the generality of the foregoing, Customer shall not make the Service available to any person or entity that: (i) is located in a country that is subject to a U.S. government embargo; (ii) is listed on any U.S. government list of prohibited or restricted parties; or (iii) is engaged in activities directly or indirectly related to the proliferation of weapons of mass destruction.

10.9 Federal Government End Use Provisions (if applicable). Workday provides the Service, including related software and technology, for federal government end use solely in accordance with the following: Government technical data and software rights related to the Service include only those rights customarily provided to the public as defined in this Agreement. This customary commercial license is provided in accordance with FAR 12.211 (Technical Data) and FAR 12.212 (Software) and, for Department of Defense transactions, DFAR 252.227-7015 (Technical Data – Commercial Items) and DFAR 227.7202.3 (Rights in Commercial Computer Software or Computer Software Documentation). If a government agency has a "need for" right not conveyed under these terms, it must negotiate with Workday to determine whether there are acceptable terms for transferring additional rights. A mutually acceptable addendum specifically conveying such rights must be executed by the parties in order to convey such rights beyond those set forth herein.



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10.10 Publicity. Except as set forth herein, Workday shall not use Customer's name, logos or trademarks, without the prior written consent of Customer, in any written press releases, advertisements and/or marketing materials. Notwithstanding the foregoing, Workday may use Customer's name and logo in lists of customers and on its website, including, but not limited to, Workday's community portal; however, such usage shall not be classified as an advertisement but only identification as an entity who receives the Service from Workday. For the avoidance of doubt, this section does not prohibit Workday from referencing Customer's name in a verbal format.

10.11 Public Information. Customer strictly adheres to all statutes, court decisions and the opinions of the Texas Attorney General with respect to disclosure of public information under the *Texas Public Information Act* ("TPIA"), Chapter 552, *Texas Government Code*. In accordance with Section 552.002 of TPIA. Customer will ordinarily retrieve such information through the Service using tools and reports available within the Service. However, in the event Customer is unable to retrieve such information, at no additional charge to Customer, Workday will make any information created or exchanged with Customer pursuant to this Agreement (and not otherwise exempt from disclosure under TPIA) available in a format reasonably requested by Customer and supported by Workday that is accessible by the public.

10.12 Tax Certification. If Workday is a taxable entity as defined by Chapter 171, *Texas Tax Code* ("Chapter 171"), then Workday certifies that it is not currently delinquent in the payment of any taxes due under Chapter 171, *Texas Tax Code* or that Workday is exempt from the payment of those taxes, or that Workday is an out-of-state taxable entity that is not subject to those taxes, whichever is applicable.

10.13 Texas Family Code Child Support Certification. Pursuant to Section 231.006, *Texas Family Code*, Workday certifies that it is not ineligible to receive the award of or payments under the Agreement and acknowledges that the Agreement may be terminated and payment may be withheld if this certification is inaccurate.

10.14 Payment of Debt or Delinquency to the State. Pursuant to Sections 2107.008 and 2252.903, *Texas Government Code*, Workday agrees that any payments owing to Workday under the Agreement may be applied directly toward any debt or delinquency that Workday owes the State of Texas or any agency of the State of Texas regardless of when it arises, until such debt or delinquency is paid in full. Any such set-off shall be documented by Customer and provided to Workday at the time it is made with sufficient detail that Workday can determine why the set-off was made.

10.15 Audit Financial Billing. During the Term of this Agreement but not more frequently than once per year, Workday shall make available to Customer or its chosen independent third party auditor, for examination only those financial books, records, and files of Workday that are necessary for Customer to verify Workday's charges for the Service provided under any Order Form(s) issued hereunder. Workday shall maintain complete and accurate records as is reasonably necessary to substantiate such charges for at least three (3) years following completion of an applicable Order Form. Customer shall provide Workday with reasonable notice prior to conducting such financial

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audit and the parties shall mutually agree upon the timing of such financial audit which shall be conducted in a manner that is not disruptive to Workday's business operations. Customer will pay for all costs related to such audits. Such right shall not extend to or require on-site audits of Workday's operations or third party hosting facilities, disclosure of any confidential information of any other Workday customer, or Workday's payroll records or other financial records not related to Service fees invoiced to Customer.

10.16 Non-Collusion. Workday hereby represents and agrees that it has in no way entered into any contingent fee arrangement with any firm, employee of the Customer, or other person or entity concerning the obtaining of this Agreement. In addition, Workday agrees that a duly authorized Workday representative will sign a non-collusion affidavit, in a form acceptable to Customer that Workday has not received from Customer any incentive or special payments, or considerations not related to the provision of the Services described in this Agreement.

10.17 Conflict of Interest. Workday shall not knowingly employ as a director, officer, employee, agent, or subcontractor any elected or appointed official of the Customer or any member of his/her immediate family

10.18 Equal Employment Opportunity/Nondiscrimination. With respect to work to be performed specifically for this Agreement and not in support of Workday's general operation of its solutions, and with respect to work performed in the City:

- A. Workday shall not discriminate against any employee or applicant for employment for work on this Contract because of race, age, color, ancestry, national origin, place of birth, religion, sex, sexual orientation, gender identity and expression, military or veteran status, genetic characteristics, or disability unrelated to job performance. Workday shall take affirmative action to ensure that applicants are employed and that employees are treated during their employment without regard to their race, age, color, ancestry, national origin, place of birth, religion, sex, sexual orientation, gender identity and expression, military or veteran status, genetic characteristics, or disability unrelated to job performance. This action shall include but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection of training, including apprenticeship. Workday shall also comply with all applicable requirements of the Americans with Disabilities Act, 42 U.S.C.A. §§12101-12213, as amended. Workday agrees to post in conspicuous places a notice, available to employees and applicants, setting for the provisions of this non-discrimination clause.
- B. Workday shall, in all solicitations or advertisements for employees for work on this Contract that are placed by or on behalf of Workday, state that all qualified applicants will receive consideration for employment without regard to race, age, color, ancestry, national origin, place of birth, religion, sex, sexual orientation, gender identity and expression, military or veteran status, genetic characteristics, or disability unrelated to job performance.



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- C. Workday shall furnish all information and reports required by the City Manager or his designee and shall permit the City Manager or his designee to investigate its payroll and personnel records which pertain to current service contracts with City for purposes of ascertaining compliance with this equal opportunity employment clause.
- D. Workday shall file compliance reports with City as may be required by the City Manager or his designee. Compliance reports must be filed within the time, must contain information as to the employment practices policies, programs, and statistics of Workday, and must be in the form that the City Manager or his designee prescribes.
- E. If Workday fails to comply with the equal employment opportunity provision of this Contract, it is agreed that City, at its option may do either or both of the following: (i) Cancel, terminate or suspend this Contract in whole or in part; (ii) Declare Workday ineligible for further City contracts until it is determined to be in compliance.

10.19 Termination for Non-Appropriation. Customer's City Manager will make best efforts to include funds for this Agreement in the annual budget presented to the City Council of Customer. Customer may terminate this Agreement or any Order form or portion of an Order form for non-appropriation of funds in any given fiscal year. The Customer will make best efforts to give Workday at least thirty (30) days prior to the effective date of any such termination for non-appropriation. Upon termination for non-appropriation, a final accounting will be made of the fees payable to Workday and any funds belonging to Customer in possession of Workday, and any balance due either party will be promptly paid by the debtor party. Customer's good faith determination of the amount due in this regard shall be final and binding between the parties. As the right of Customer to terminate this Agreement for non-appropriation is expressly retained, Workday shall not be entitled to lost or anticipated profits in the event of Customer's exercise of such right. Upon request by Workday, Customer shall provide information about the status of appropriations. ▯

10.20 Pursuant to Section 2270.002, Texas Government Code, Workday hereby (i) represents that it does not boycott Israel, and (ii) subject to or as otherwise required by applicable federal law, including without limitation 50 U.S.C. Section 4607, agrees it will not boycott Israel during the term of the Agreement. As used in the immediately preceding sentence, "boycott Israel" shall have the meaning given such term in Section 2270.001, Texas Government Code.

10.21 Workday hereby represents that (i) it does not engage in business with Iran, Sudan or any foreign terrorist organization and (ii) it is not listed by the Texas Comptroller under Section 2252.153, Texas Government Code, as company known to have contracts with or provide supplies or services to a foreign terrorist organization. As used in the immediately preceding sentence, "foreign terrorist organization" shall have the meaning given such term in Section 2252.151, Texas Government Code.

10.22 Miscellaneous. This Agreement, including all exhibits and addenda hereto and all Order Forms, constitutes the entire agreement between the parties with respect to the subject matter hereof. In the event of a conflict, the provisions of an Order Form shall take precedence over provisions of the body of this Agreement and over any other Exhibit or Attachment. This Agreement supersedes all prior and contemporaneous agreements, proposals or representations, written or oral, concerning



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its subject matter. Notwithstanding the foregoing, the parties agree that Workday's Proposal dated August 15, 2017 in response to Customer's Request for Proposals # No. 201740 may be used solely for the purpose of evidence in a claim for fraud in the inducement of this Agreement. No modification, amendment, or waiver of any provision of this Agreement shall be effective unless in writing and signed by the party against whom the modification, amendment or waiver is to be asserted. If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to law, the provision shall be modified by the court and interpreted so as best to accomplish the objectives of the original provision to the fullest extent permitted by law, and the remaining provisions of this Agreement shall remain in effect. Notwithstanding any language to the contrary therein, no terms or conditions stated in a Customer purchase order or in any other Customer order documentation shall be incorporated into or form any part of this Agreement, and all such terms or conditions shall be null and void. This Agreement may be executed in counterparts, which taken together shall form one binding legal instrument. The parties hereby consent to the use of facsimile and/or scanned signatures by either party in connection with the execution of this Agreement, and further agree that such facsimile and/or scanned signatures by both parties to this Agreement shall be legally binding with the same force and effect as manually executed signatures.

11. Definitions.

"Affiliate" means any entity which directly or indirectly controls, is controlled by, or is under common control by either party. For purposes of the preceding sentence, "control" means direct or indirect ownership or control of more than 50% of the voting interests of the subject entity.

"Agreement" means this Master Subscription Agreement, including the Workday Production Support and Service Level Availability Policy (as may be updated from time to time), any exhibits or attachments hereto, and any fully executed Order Form.

"Authorized Parties" means Customer's or an authorized Affiliate's Employees and third party providers authorized to access Customer's Tenants and/or to receive Customer Data by Customer (i) in writing, (ii) through the Service's security designation, or (iii) by system integration or other data exchange process.

"Confidential Information" means (a) any software utilized by Workday in the provision of the Service and its respective source code; (b) Customer Data; (c) each party's business or technical information, including but not limited to the Documentation, training materials, any information relating to software plans, designs, costs, prices and names, finances, marketing plans, business opportunities, personnel, research, development or know-how that is designated by the disclosing party as "confidential" or "proprietary"; and (d) the terms, conditions and pricing of this Agreement (but not its existence or parties).

"Customer Data" means the electronic data or information submitted by Customer or Authorized Parties to the Service.



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“Customer Input” means suggestions, enhancement requests, recommendations or other feedback provided by Customer, its Employees and Authorized Parties relating to the operation or functionality of the Service.

“Documentation” means Workday’s electronic Administrator Guide for the Service (formerly known as the User Guide), which may be updated by Workday from time to time. The Documentation in effect as of the Effective Date shall be the baseline Documentation for purposes of the warranties in Section 6.1.

“Employee” or “Worker” means actual or prospective employees, consultants, contingent workers, independent contractors, and retirees of Customer and its Affiliates whose active business record(s) are or may be managed by the Service and for which a subscription to the Service has been purchased pursuant to an Order Form. The Order Form defines how the Employee count is calculated for subscription fee purposes.

“Improvements” means all improvements, updates, enhancements, error corrections, bug fixes, release notes, upgrades and changes to the Service and Documentation, as developed by Workday and made generally available for Production use without a separate charge to Customers.

“Intellectual Property Rights” means any and all common law, statutory and other industrial property rights and intellectual property rights, including copyrights, trademarks, trade secrets, patents and other proprietary rights issued, honored or enforceable under any applicable laws anywhere in the world, and all moral rights related thereto.

“Law” means any local, state, national and/or foreign law, treaties, and/or regulations applicable to a respective party.

“Malicious Code” means viruses, worms, time bombs, Trojan horses and other malicious code, files, scripts, agents or programs.

“Order Form” means the separate ordering documents under which Customer subscribes to the Workday Service pursuant to this Agreement that have been fully executed by the parties.

“Personal Data” means any information that is related to an identified or identifiable individual and has been provided by Customer or its Affiliates as Customer Data within the Workday Service to enable Workday to Process the data on its behalf.

“Production” means the Customer’s or an Employee’s use of or Workday’s written verification of the availability of the Service (i) to administer Employees; (ii) to generate data for Customer’s books/records; or (iii) in any decision support capacity.

“Security Breach” means (i) any actual or reasonably suspected unauthorized use of, loss of, access to or disclosure of, Customer Data; provided that an incidental disclosure of Customer Data to an



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Authorized Party or Workday, or incidental access to Customer Data by an Authorized Party or Workday, where no reasonable suspicion exists that such disclosure or access involves theft, or is fraudulent, criminal or malicious in nature, shall not be considered a "Security Breach" for purposes of this definition, unless such incidental disclosure or incidental access triggers a notification obligation under any applicable Law and (ii) any security breach (or substantially similar term) as defined by applicable Law.

"Service" means Workday's software-as-a-service applications as described in the Documentation and subscribed to under an Order Form.

"SLA" means the *Workday Production Support and Service Level Availability Policy*, which may be updated by Workday from time to time. No update shall materially diminish Workday's responsibilities under the Workday Production Support and Service Level Availability Policy.

"Subscription Service Fee" means all amounts invoiced and payable by Customer for the Service.

"Tenant" means a unique instance of the Service, with a separate set of customer data held by Workday in a logically separated database (i.e., a database segregated through password-controlled access).

"Tenant Base Name" is a naming convention that will be used in all of the tenant URLs provided by Workday, as specified in Customer's initial Order Form subscribing to the Service, and which shall remain constant throughout the Term.

"Term" has the meaning set forth in Section 9.1.



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IN WITNESS WHEREOF, the parties' authorized signatories have duly executed this Agreement.

City of Georgetown

Workday, Inc.



Signature


Signature

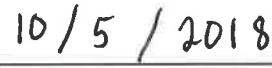

Name


Name


Title


Title


Date Signed


Date Signed

Approved as to Legal Form by:


Michaela Barry (Oct 5, 2018)



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WORKDAY SLA SERVICE CREDIT EXHIBIT

In the event of a failure by Workday to meet the Service Availability and Service Response minimums as set forth in the SLA, as Customer's sole and exclusive remedy, at Customer's request, Workday shall provide service credits in accordance with the following:

- a. First month of missed availability or response minimum: The parties shall meet to discuss possible corrective actions
- b. Second month in any rolling six (6) month period: 10% of the Subscription Fee paid for the applicable month for the affected Service application
- c. Third month in any rolling six (6) month period: 20% of the Subscription Fee paid for the applicable month for the affected Service application
- d. Fourth month in any rolling six (6) month period: 30% of the Subscription Fee paid for the applicable month for the affected Service application
- e. Fifth month in any rolling six (6) month period: 40% of the Subscription Fee paid for the applicable month for the affected Service application
- f. Sixth month in any rolling six (6) month period: 50% of the Subscription Fee paid for the applicable month for the affected Service application
- g. More than six consecutive months: Within thirty (30) days of such failure Customer shall have the option to terminate the entire Agreement and upon such termination Customer shall receive a refund of all prepaid subscription fees that are unearned as of the date such termination is effective.
- h. If more than one of the above (a through g) is triggered, Customer will be eligible for the greater amount for the applicable month only. Credits shall be deducted from subsequent invoices for subscription fees or other fees or, upon expiration or termination of the Agreement, paid to Customer directly.
- i. Notwithstanding anything to the contrary in this Service Level Exhibit, in the event there is any month in any rolling six month period where the Service Availability commitment falls below 75% ("Catastrophic Failure"), the following service credits shall apply: In the event that there is any month where the Service Availability commitment falls below 75% but is above 50%, then the service credit for that month will be 50% of the Subscription Service Fee paid to Workday for the applicable month. In the event there is any month where the Service Availability commitment falls below 50%, then the service credit for that month will be 100% of the Subscription Service Fee paid to Workday for the applicable month. If there are any two months in any rolling six month period where the Service Availability minimum falls below 75%: In addition to the Service Credit



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identified herein for that month, within thirty (30) days of such failure in such second month, Customer shall have the option to terminate the entire Agreement upon written notice to Workday and upon such termination Customer shall receive a refund of all prepaid subscription fees that are unearned as of the date such termination is effective.



DATA PROCESSING EXHIBIT

This Data Processing Exhibit (“DPE”) forms part of the Master Subscription Agreement between Workday and Customer (the “Agreement”) under which Workday provides the Workday Service to Customer.

Designated Data Center Location: United States

1. Definitions

Unless otherwise defined below, all capitalized terms have the meaning given to them in the Master Subscription Agreement and/or exhibits thereto.

“**Additional Products**” means products, services and applications (whether made available by Workday or a third party) that are not part of the Service.

“**Customer Audit Program**” means Workday’s optional, fee-based customer audit program as described in the Order Form for Audit Program.

“**Data Controller**” means the entity which, alone or jointly with others, determines the purposes and means of the Processing of Personal Data.

“**Data Processor**” means the entity which Processes Personal Data on behalf of the Data Controller.

“**EU Data Protection Laws**” means: (i) up to 25 May 2018, the Data Protection Directive 95/46/EC; and (ii) from 25 May 2018 onwards, the General Data Protection Regulation (EU) 2016/679 (“**GDPR**”).

“**Data Protection Laws**” means all data protection laws applicable to the Processing of Personal Data under this DPE, including local, state, national and/or foreign laws, treaties, and/or regulations, EU Data Protection Laws, and implementations of EU Data Protection Laws into national law.

“**Data Subject**” means the person to whom the Personal Data relates.

“**EEA**” means the European Economic Area.

“**Personal Data**” means any Customer Data that relates to (i) an identified or identifiable natural person or, (ii) an identified or identifiable legal entity, where such information is protected similarly as personal data under applicable Data Protection Laws.

“**Personal Data Breach**” means (i) a ‘personal data breach’ as defined in the GDPR affecting Personal Data, and (ii) any Security Breach affecting Personal Data.

“**Processing or Process**” means any operation or set of operations performed on Personal Data or sets of Personal Data, such as collecting, recording, organizing, structuring, storing, adapting or altering, retrieving, consulting, using, disclosing by transmission, disseminating or otherwise making available, aligning or combining, restricting, erasing or destroying.

“**Subprocessor**” means a Workday Affiliate or third-party entity engaged by Workday or a Workday Affiliate as a Data Processor under this DPE.

“**Valid Transfer Mechanism**” means a data transfer mechanism permitted by EU Data Protection Laws as a lawful basis for transferring Personal Data to a recipient outside the EEA.

2. Processing Personal Data

2.1 Scope and Role of the Parties. This DPE applies to the Processing of Personal Data by Workday in the course of providing the Service. For the purposes of this DPE, Customer and its Affiliates are the Data Controller(s) and Workday is the Data Processor, Processing Personal Data on Customer’s behalf.



DATA PROCESSING EXHIBIT

2.2 Instructions for Processing. Workday shall Process Personal Data in accordance with Customer's documented instructions. Customer instructs Workday to Process Personal Data to provide the Service in accordance with the Agreement (including this DPE). Customer may provide additional instructions to Workday to Process Personal Data, however Workday shall be obligated to perform such additional instructions only if they are consistent with the terms and scope of the Agreement and this DPE.

2.3 Compliance with Laws. Workday shall comply with all Data Protection Laws applicable to Workday in its role as a Data Processor Processing Personal Data. For the avoidance of doubt, Workday is not responsible for complying with Data Protection Laws applicable to Customer or Customer's industry such as those not generally applicable to online service providers. Customer shall comply with all Data Protection Laws applicable to Customer as a Data Controller.

3. Subprocessors

3.1 Use of Subprocessors. Customer agrees that Workday and Workday Affiliates may engage Subprocessors to Process Personal Data. Workday or the relevant Workday Affiliate shall ensure that such Subprocessor has entered into a written agreement requiring the Subprocessor to abide by terms no less protective than those provided in this DPE. Upon Customer's request, Workday will make available to Customer a summary of the data processing terms. For the avoidance of doubt, the data processing terms that apply to Workday Affiliates when Processing Personal Data as a Subprocessor are those set out in this DPE. Workday shall be liable for the acts and omissions of any Subprocessors to the same extent as if the acts or omissions were performed by Workday.

3.2 Notification of New Subprocessors. Workday shall make available to Customer through Workday's customer website a list of Subprocessors authorized to Process Personal Data ("**Subprocessor List**") and provide Customer with a mechanism to obtain notice of any updates to the Subprocessor List. At least thirty (30) days prior to authorizing any new Subprocessor to Process Personal Data, Workday shall provide notice to Customer by updating the Subprocessor List.

3.3 Subprocessor Objection Right. This Section 3.3 shall apply only where and to the extent that Customer is established within the EEA or Switzerland or where otherwise required by Data Protection Laws applicable to Customer. In such event, if Customer objects on reasonable grounds relating to data protection to Workday's use of a new Subprocessor then Customer shall promptly, and within fourteen (14) days following Workday's notification pursuant to Section 3.2 above, provide written notice of such objection to Workday. Should Workday choose to retain the objected-to Subprocessor, Workday will notify the Customer at least fourteen (14) days before authorizing the Subprocessor to Process Personal Data and the Customer may immediately discontinue using the relevant portion(s) of the Service and may terminate the relevant portion(s) of the Service within thirty (30) days. Upon any termination by Customer pursuant to this Section, Workday shall refund Customer any prepaid fees for the terminated portion(s) of the Service that were to be provided after the effective date of termination.

4. Data Center Location and Data Transfers

4.1 Storage of Personal Data. Personal Data will be housed in data centers located in the Designated Data Center Location set forth herein unless the parties otherwise expressly agree in writing.

4.2 Access to Personal Data. Notwithstanding Section 4.1, in order to provide the Service Workday and its Subprocessors will only access Personal Data from (i) countries in the EEA, (ii) countries or territories formally recognized by the European Commission as providing an adequate level of data protection ("**Adequate Countries**") and (iii) the United States provided, in this case, that Workday makes available to Customer a Valid Transfer Mechanism. When Workday or its Subprocessors access Personal Data from outside the Designated Data Center Location for the purposes set forth above, Customer agrees that Personal Data may be temporarily stored in that country.

4.3 Privacy Shield. Workday, Inc. is self-certified under the EU-U.S. and the Swiss-U.S. Privacy Shield Frameworks maintained by the U.S. Department of Commerce ("**Privacy Shield**") and complies with their requirements for handling, collecting and transferring Personal Data from the EEA and Switzerland to the United States in connection with the Service. Workday will remain certified for the term of the Agreement provided that the Privacy Shield is recognized as a Valid Transfer Mechanism.

DATA PROCESSING EXHIBIT

5. Rights of Data Subjects

5.1 Correction, Deletion or Restriction. Workday will, at its election and as necessary to enable Customer to meet its obligations under applicable Data Protection Laws, either (i) provide Customer the ability within the Service to correct or delete Personal Data or restrict its Processing; or (ii) make such corrections, deletions, or restrictions on Customer's behalf if such functionality is not available within the Service.

5.2 Access to Personal Data. To the extent a Data Subject's Personal Data is not accessible to Customer through the Service, Workday will, as necessary to enable Customer to meet its obligations under applicable Data Protection Laws, provide reasonable assistance to make such Personal Data available to Customer.

5.3 Handling of Data Subject Requests. For the avoidance of doubt, Customer is responsible for responding to Data Subject requests for access, correction, deletion or restriction of that person's Personal Data ("Data Subject Request"). If Workday receives a Data Subject Request, Workday shall promptly redirect the Data Subject to Customer.

5.4 Data Portability. During the term of the Agreement, Customer may extract Personal Data from the Service in accordance with the Documentation and the relevant provisions of the Agreement, including so that Customer can provide the Personal Data to an individual who makes a data portability request under EU Data Protection Laws.

6. Government Access Requests

Unless prohibited by applicable law or a legally-binding request of law enforcement, Workday shall promptly notify Customer of any request by government agency or law enforcement authority for access to or seizure of Personal Data.

7. Workday Personnel

Workday shall take reasonable steps to require screening of its personnel who may have access to Personal Data, and shall require such personnel (i) to receive appropriate training on their responsibilities regarding the handling and safeguarding of Personal Data; and (ii) to agree to comply with confidentiality obligations which shall survive the termination of employment.

8. Personal Data Breach.

In the event Workday becomes aware of a Personal Data Breach it shall without undue delay notify Customer in accordance with the Security Breach provisions of the Agreement. To the extent Customer requires additional information from Workday to meet its Personal Data Breach notification obligations under applicable Data Protection Laws, Workday shall provide reasonable assistance to provide such information to Customer taking into account the nature of Processing and the information available to Workday.

9. Security Program.

Workday shall implement appropriate technical and organizational measures designed to protect Personal Data against accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to, Personal Data as set forth in the Security Exhibit.

10. Audit

Customer agrees that Workday's then-current SOC 1 and SOC 2 audit reports (or comparable industry-standard successor reports) and/or Workday's ISO 27001 and ISO 27018 Certifications will be used to satisfy any audit or inspection requests by or on behalf of Customer, and Workday shall make such reports available to Customer. In the event that Customer, a regulator, or supervisory authority requires additional information, including information necessary to demonstrate compliance with this DPE, or an audit related to the Service, such information and/or audit shall be made available in accordance with Workday's Customer Audit Program.



DATA PROCESSING EXHIBIT

11. Return and Deletion of Personal Data

Upon termination of the Service, Workday shall return and delete Personal Data in accordance with the relevant provisions of the Agreement.

12. Additional Products

Customer acknowledges that if it installs, uses, or enables Additional Products that interoperate with the Service but are not part of the Service itself, then by such actions Customer is instructing Workday to cause the Service to allow such Additional Products to access Personal Data as required for the interoperation of those Additional Products with the Service. Such separate Additional Products are not required to use the Service and may be restricted for use as determined by Customer's system administrator. This DPE does not apply to the Processing of Personal Data by Additional Products which are not part of the Service.

13. Additional European Terms

13.1 Subject-Matter, Nature, Purpose and Duration of Data Processing. Workday will Process Personal Data to provide the Service (operation and maintenance of a software-as-a-service application). The duration of Processing Personal Data shall be for the term of the Agreement.

13.2 Types of Personal Data and Categories of Data Subjects. The types of Personal Data and categories of Data Subjects are set forth in Addendum 1 hereto.

13.3 Data Protection Impact Assessments and Prior Consultations. Customer agrees that Workday's then-current SOC 1 and SOC 2 audit reports (or comparable industry-standard successor reports) and/or Workday's ISO 27001 and ISO 27018 Certifications will be used to carry out Customer's data protection impact assessments and prior consultations, and Workday shall make such reports available to Customer. To the extent Customer requires additional assistance to meet its obligations under Article 35 and 36 of the GDPR to carry out a data protection impact assessment and prior consultation with the competent supervisory authority related to Customer's use of the Service, Workday will, taking into account the nature of Processing and the information available to Workday, provide reasonable assistance to Customer through the Customer Audit Program.

14. General Provisions

14.1 Customer Affiliates. Customer is responsible for coordinating all communication with Workday on behalf of its Affiliates with regard to this DPE. Customer represents that it is authorized to issue instructions as well as make and receive any communications or notifications in relation to this DPE on behalf of its Affiliates.

14.2 Disclosure of DPE Terms. Customer or its Affiliates may only disclose the terms of this DPE to a regulator or supervisory authority to the extent required by law or such regulator or supervisory authority, such as for the purpose of notifications or approvals. Furthermore, Customer shall take reasonable endeavors to ensure that such regulator or supervisory authority do not make this DPE public, including: (i) marking copies of this DPE as "Confidential and Commercially Sensitive"; (ii) requesting return of this DPE once the regulatory notification has been completed or approval granted; and (iii) requesting prior notice and consultation before any disclosure of this DPE by the regulator or supervisory authority.

14.3 Termination. The term of this DPE will end simultaneously and automatically at the later of (i) the termination of the Agreement or, (ii) when all Personal Data is deleted from Workday's systems.

14.4 Conflict. This DPE is subject to the non-conflicting terms of the Agreement. With regard to the subject matter of this DPE, in the event of inconsistencies between the provisions of this DPE and the Agreement, the provisions of this DPE shall prevail with regard to the parties' data protection obligations.

14.5 Customer Affiliate Enforcement. Customer's Affiliates may enforce the terms of this DPE directly against Workday, subject to the following provisions:

DATA PROCESSING EXHIBIT

- i. the Customer will bring any legal action, suit, claim or proceeding which that Affiliate would otherwise have if it were a party to the Agreement (each an “**Affiliate Claim**”) directly against Workday on behalf of such Affiliate, except where the Data Protection Laws to which the relevant Affiliate is subject require that the Affiliate itself bring or be party to such Affiliate Claim; and
- ii. for the purpose of any Affiliate Claim brought directly against Workday by Customer on behalf of such Affiliate in accordance with this Section, any losses suffered by the relevant Affiliate may be deemed to be losses suffered by Customer.

14.6 Remedies. Customer’s remedies (including those of its Affiliates) with respect to any breach by Workday or its Affiliates of the terms of this DPE, and the overall aggregate liability of Workday and its Affiliates arising out of, or in connection with the Agreement (including this DPE) will be subject to any aggregate limitation of liability that has been agreed between the parties under the Agreement (the “**Liability Cap**”). For the avoidance of doubt, the parties intend and agree that the overall aggregate liability of Workday and its Affiliates arising out of, or in connection with the Agreement (including this DPE) shall in no event exceed the Liability Cap.

14.7 Miscellaneous. The section headings contained in this DPE are for reference purposes only and shall not in any way affect the meaning or interpretation of this DPE.



DATA PROCESSING EXHIBIT

Addendum 1

Data subjects

Prospective, current and former employees and other workers, as well as related persons.

Categories of data

- **Prospective, current and former employee data:** Such employee data as is necessary for human resources and benefits processing, including name; contact information (including home and work address; home and work telephone numbers; mobile telephone numbers; web address data; instant messenger data; home and work email address); marital status; ethnicity; citizenship information; visa information; national and governmental identification information; drivers' license information; passport information; banking details; military service information; religion information; birth date and birth place; gender; disability information; employee identification information; education, language(s) and special competencies; certification information; probation period and employment duration information; job or position title; business title; job type or code; business site; company, supervisory, cost center and region affiliation; work schedule and status (full-time or part-time, regular or temporary); compensation and related information (including pay type and information regarding raises and salary adjustments); payroll information; allowance, bonus, commission and stock plan information; leave of absence information; employment history; work experience information; information on internal project appointments; accomplishment information; training and development information; award information; membership information.
- **Related person's data:** Name and contact information of dependents or beneficiaries (including home address; home and work telephone numbers; mobile telephone numbers); date of birth; gender; emergency contacts; beneficiary information; dependent information).

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Workday Production Support and Service Level Availability Policy (SLA)

Workday's Software as a Service ("Service") is based on a multi-tenanted operating model that applies common, consistent management practices for all customers using the service. This common operating model allows Workday to provide the high level of service reflected in our business agreements. This document communicates Workday's Production Support and Service Level Availability Policy ("SLA") with its customers. Capitalized terms, unless otherwise defined herein, shall have the same meaning as in the Workday Master Subscription Agreement.

1. Technical Assistance Terms:

Workday will provide Customer with 24x7x365 technical assistance in accordance with this SLA.

2. Service Availability:

Workday's Service Availability commitment for a given calendar month is 99.5%.

Service Availability is calculated per month as follows:

$$((\text{Total} - \text{Unplanned Outage} - \text{Planned Maintenance}) / (\text{Total} - \text{Planned Maintenance})) \times 100 \geq 99.5\%$$

Definitions:

- **Total** is the total minutes in the month
- **Unplanned Outage** is total minutes unavailable in the month outside of the Planned Maintenance window
- **Planned Maintenance** is total minutes of planned maintenance in the month.

Currently, Planned Maintenance is four (4) hours for weekly maintenance, plus four (4) hours for monthly maintenance, plus four (4) hours for quarterly maintenance. Workday's current weekly maintenance begins at 2:00 am (Eastern) on Saturday; monthly maintenance begins at 6:00 am (Eastern) on Saturday; and quarterly maintenance begins at 10:00 am (Eastern) on Saturday. All times are subject to change upon thirty (30) days' notice provided in the Workday Community (<https://community.workday.com>) and any such change shall not lengthen the duration of the associated maintenance window.

If actual maintenance exceeds the time allotted for Planned Maintenance it is considered an Unplanned Outage. If actual maintenance is less than time allotted for Planned Maintenance, that time is not applied as a credit to offset any Unplanned Outage time for the month.

The measurement point for Service Availability is the availability of the Workday production tenants at the Workday production data center's Internet connection points. Customer may request an availability report not more than once per month via the Customer Center (the Workday case management system).

3. Workday Feature Release and Service Update Process:

Periodically, Workday introduces new features in the Workday Service with enhanced functionality across Workday applications. Features and functionality will be made available as part of a major feature release ("Feature Release") or as part of weekly service updates ("Service Updates"). Feature Releases will take place approximately twice per year. The frequency of Feature Release availability may be increased or decreased by Workday at Workday's discretion. Specific information and timelines for Feature Releases and Service Updates can be found on the Workday Community (<https://community.workday.com>). Feature Releases will be performed during a weekend within any Planned Maintenance.

4. Service Response:

Workday's Service Response commitment is: (i) not less than 50% of (online) transactions in two (2) seconds or less and (ii) not more than 10% in five (5) seconds or more. Service Response is the processing time of the Workday production tenants



Workday Production Support and Service Level Availability Policy (SLA)

in the Workday production data center to complete transactions submitted from a web browser. This Service Response commitment excludes requests submitted via Workday Web Services.

The time required to complete the request will be measured from the point in time when the request has been fully received by the encryption endpoint in the Workday Production data center, until such time as the response begins to be returned for transmission to Customer. Customer may request a response time report not more than once per month via the Customer Center.

5. Disaster Recovery:

Workday will maintain a disaster recovery plan for the Workday production tenants in conformance with Workday's most current Disaster Recovery Summary, the current version of which can be viewed on the Workday Community. Workday commits to a recovery time objective of twelve (12) hours - measured from the time that the Workday production tenant becomes unavailable until it is available again. Workday commits to a recovery point objective of one (1) hour - measured from the time that the first transaction is lost until the Workday production tenant becomes unavailable.

Workday will test the disaster recovery plan once every six months, and will make available a written summary of the results of the most recent test available to Customers in Workday Community.

6. Case Submittal and Reporting:

Customer's Named Support Contacts may submit cases to Workday Support via the Customer Center. Named Support Contacts must be trained on the Workday product(s) for which they initiate support requests. Each case will be assigned a unique case number. Workday will respond to each case in accordance with this SLA and will work diligently toward resolution of the issue taking into consideration its severity and impact on the Customer's business operations. Actual resolution time will depend on the nature of the case and the resolution itself. A resolution may consist of a fix, workaround, delivery of information or other reasonable solution to the issue. Case reporting is available on demand via the Customer Center.

7. Severity Level Determination:

Customer shall reasonably self-diagnose each support issue and recommend to Workday an appropriate Severity Level designation. Workday shall validate Customer's Severity Level designation, or notify Customer of a proposed change in the Severity Level designation to a higher or lower level with justification for the proposal. In the event of a conflict regarding the appropriate Severity Level designation, each party shall promptly escalate such conflict to its management team for resolution through consultation between the parties' management, during which time the parties shall continue to handle the support issue in accordance with the Workday Severity Level designation. In the rare case a conflict requires a management discussion, both parties shall be available within one hour of the escalation.

8. Support Issue Production Severity Levels - Response and Escalation:

Response Time is the period from the time when Customer logs the Production case in the Customer Center until Workday responds to Customer and/or escalation within Workday, if appropriate. Because of the widely varying nature of issues, it is not possible to provide specific resolution commitments.

In the event of a Severity Level 1 or 2 issue, if Customer is not satisfied with the progress of the case, Customer may escalate the case to Workday support management using the escalation process defined for Named Support Contacts. Upon escalation, Workday support senior management is notified and a Workday escalation manager is assigned to work with Customer until the escalation is resolved.



Workday Production Support and Service Level Availability Policy (SLA)

Severity Level 1:

- **Definition:** The Workday Service is unavailable or a Workday issue prevents timely payroll processing, tax payments, entry into time tracking and/or financials closing (month-end, quarter-end or year-end).
- **Workday Response Commitment:** Workday will respond within thirty (30) minutes of receipt of case and Workday shall remain accessible for troubleshooting from the time a Severity 1 issue is logged until such time as it is resolved.
- **Resolution:** Workday will work to resolve the problem until the Service is returned to normal operation. Customer will be notified of status changes.
- **Escalation:** If the problem has not been resolved within one (1) hour, Workday will escalate the problem to the appropriate Workday organization. The escalated problem will have higher priority than ongoing support, development or operations initiatives.
- **Customer Response Commitment:** Customer shall remain accessible for troubleshooting from the time a Severity 1 issue is logged until such time as it is resolved.

Severity Level 2:

- **Definition:** The Workday Service contains an issue that prevents Customer from executing one or more critical business processes with a significant impact and no workaround exists.
- **Workday Response Commitment:** Workday will respond within one (1) hour of receipt of case and Workday shall remain accessible for troubleshooting from the time a Severity 2 issue is logged until such time as it is resolved.
- **Resolution:** Workday will work to resolve the problem until the Service is returned to normal operation. Customer will be notified of status changes.
- **Escalation:** If the problem has not been resolved within four (4) hours, Customer may request that Workday escalate the problem to the appropriate Workday organization where the escalated problem will have higher priority than ongoing development or operations initiatives.
- **Customer Response Commitment:** Customer shall remain accessible for troubleshooting from the time a Severity 2 issue is logged until such time as it is resolved.

Severity Level 3:

- **Definition:** The Workday Service contains an issue that prevents Customer from executing one or more important business processes. A workaround exists but is not optimal.
- **Workday Response Commitment:** Workday will respond within four (4) hours of receipt of case.
- **Resolution:** If resolution requires a Workday issue fix, Workday will add the issue fix to its development queue for future Update and suggest potential workaround until the problem is resolved in a future Update. Customer will be notified of status changes.
- **Escalation:** If progress is not being made to Customer's satisfaction, Customer may request that Workday escalate the problem to the appropriate Workday organization
- **Customer Response Commitment:** Customer will respond to Workday requests for additional information and implement recommended solutions in a timely manner.



Workday Production Support and Service Level Availability Policy (SLA)

Severity Level 4:

- **Definition:** The Workday Service contains an issue that may disrupt important business processes where a workaround is available or functionality is not imperative to Customer's business operations.
- **Workday Response Commitment:** Workday will respond within twenty-four (24) hours of receipt of case.
- **Resolution:** If resolution requires a Workday issue fix, Workday will add the issue fix to its development queue for future Update and suggest potential workaround until the problem is resolved in a future Update. Customer will be notified of status changes.
- **Escalation:** If progress is not being made to Customer's satisfaction, Customer may request that Workday escalate the problem to the appropriate Workday organization.
- **Customer Response Commitment:** Customer will respond to Workday requests for additional information and implement recommended solutions in a timely manner.

Severity Level 5 (Including Customer Care and Operations Requests):

- **Definition:** Non-system issues such as Named Support Contact change, requests for SLA reports or business documents, etc. Questions about configuration and functionality should be addressed to the Workday Community. If necessary to open a Support case requesting assistance, Severity 5 should be used.
- **Workday Response Commitment:** Workday will respond within twenty-four (24) hours of receipt of case.
- **Resolution Commitment:** Workday will respond to request. Customer will be notified of status changes.
- **Escalation:** If progress is not being made to Customer's satisfaction, Customer may request that Workday escalate the problem to the appropriate Workday organization.
- **Customer Commitment:** Customer will respond to Workday requests for additional information in a timely manner.

9. Workday Support Scope:

Workday will support functionality that is delivered by Workday as part of the Service. For all other functionality, and/or issues or errors in the Workday Service caused by issues, errors and/or changes in Customer's information systems and/or third party products or services, Workday may assist Customer and its third party providers in diagnosing and resolving issues or errors but Customer acknowledges that these matters are outside of Workday's support obligations. Service Level failures attributable to (i) Customer's acts or omissions; and (ii) Force Majeure events shall be excused.

10. Workday Web Services API Support:

Workday recommends using the most recent version of the Workday Web Services (WWS) APIs in order to receive optimum performance and stability. Prior versions of WWS APIs are updated to support backward-compatibility for all prior versions of WWS APIs that have not reached an end-of-life status. End-of-life announcements will be made not less than eighteen (18) months before the end-of-life of each WWS API. All announcements surrounding the WWS APIs will be communicated through Workday Community.

Backward compatibility means that an integration created to work with a given WWS API version will continue to work with that same WWS API version even as Workday introduces new WWS API versions. With the exception of backward-compatibility updates, prior versions of WWS APIs are not enhanced.



Security Exhibit

Workday maintains a comprehensive, written information security program that contains administrative, technical, and physical safeguards that are appropriate to (a) the size, scope and type of Workday's business; (b) the amount of resources available to Workday; (c) the type of information that Workday will store; and (d) the need for security and confidentiality of such information.

Workday's security program is designed to:

- Protect the confidentiality, integrity, and availability of Customer Data or Professional Services Data in Workday's possession or control or to which Workday has access;
- Protect against any anticipated threats or hazards to the confidentiality, integrity, and availability of Customer Data or Professional Services Data;
- Protect against unauthorized or unlawful access, use, disclosure, alteration, or destruction of Customer Data or Professional Services Data;
- Protect against accidental loss or destruction of, or damage to, Customer Data or Professional Services Data; and
- Safeguard information as set forth in any local, state or federal regulations by which Workday may be regulated.

Without limiting the generality of the foregoing, Workday's security program includes:

1. **Security Awareness and Training.** A mandatory security awareness and training program for all members of Workday's workforce (including management), which includes:
 - a) Training on how to implement and comply with its Information Security Program;
 - b) Promoting a culture of security awareness through periodic communications from senior management with employees.
2. **Access Controls.** Policies, procedures, and logical controls:
 - a) To limit access to its information systems and the facility or facilities in which they are housed to properly authorized persons;
 - b) To prevent those workforce members and others who should not have access from obtaining access; and
 - c) To remove access in a timely basis in the event of a change in job responsibilities or job status.
3. **Physical and Environmental Security.** Controls that provide reasonable assurance that access to physical servers at the production data center or the facility housing Workday's SFTP Server, if applicable, is limited to properly authorized individuals and that environmental controls are established to detect, prevent and control destruction due to environmental extremes. These controls include:
 - a) Logging and monitoring of unauthorized access attempts to the data center by the data center security personnel;
 - b) Camera surveillance systems at critical internal and external entry points to the data center;
 - c) Systems that monitor and control the air temperature and humidity at appropriate levels for the computing equipment; and
 - d) Uninterruptible Power Supply (UPS) modules and backup generators that provide back-up power in the event of an electrical failure.
4. **Security Incident Procedures.** A security incident response plan that includes procedures to be followed in the event of any Security Breach. Such procedures include:
 - a) Roles and responsibilities: formation of an internal incident response team with a response leader;



Security Exhibit

- b) Investigation: assessing the risk the incident poses and determining who may be affected;
 - c) Communication: internal reporting as well as a notification process in the event of unauthorized disclosure of Customer Data or Professional Services Data;
 - d) Recordkeeping: keeping a record of what was done and by whom to help in later analysis and possible legal action; and
 - e) Audit: conducting and documenting root cause analysis and remediation plan.
5. **Contingency Planning.** Policies and procedures for responding to an emergency or other occurrence (for example, fire, vandalism, system failure, pandemic flu, and natural disaster) that could damage Customer Data or production systems that contain Customer Data. Such procedures include:
- a) Data Backups: A policy for performing periodic backups of production file systems and databases or Professional Services Data on Workday's SFTP Server, as applicable, according to a defined schedule;
 - b) Disaster Recovery: A formal disaster recovery plan for the production data center, including:
 - i) Requirements for the disaster plan to be tested on a regular basis, currently twice a year; and
 - ii) A documented executive summary of the Disaster Recovery testing, at least annually, which is available upon request to customers.
 - c) Business Continuity Plan: A formal process to address the framework by which an unplanned event might be managed in order to minimize the loss of vital resources.
6. **Audit Controls.** Hardware, software, and/or procedural mechanisms that record and examine activity in information systems that contain or use electronic information.
7. **Data Integrity.** Policies and procedures to ensure the confidentiality, integrity, and availability of Customer Data or Professional Services Data and protect it from disclosure, improper alteration, or destruction.
8. **Storage and Transmission Security.** Security measures to guard against unauthorized access to Customer Data or Professional Services Data that is being transmitted over a public electronic communications network or stored electronically. Such measures include requiring encryption of any Customer Data or Professional Services Data stored on desktops, laptops or other removable storage devices.
9. **Secure Disposal.** Policies and procedures regarding the secure disposal of tangible property containing Customer Data or Professional Services Data, taking into account available technology so that Customer Data or Professional Services Data cannot be practicably read or reconstructed.
10. **Assigned Security Responsibility.** Assigning responsibility for the development, implementation, and maintenance of its Information Security Program, including:
- a) Designating a security official with overall responsibility;
 - b) Defining security roles and responsibilities for individuals with security responsibilities; and
 - c) Designating a Security Council consisting of cross-functional management representatives to meet on a regular basis.
11. **Testing.** Regularly testing the key controls, systems and procedures of its information security program to validate that they are properly implemented and effective in addressing the threats and risks identified. Where applicable, such testing includes:

Security Exhibit

- a) Internal risk assessments;
 - b) ISO 27001 and ISO 27018 certifications; and
 - c) Service Organization Control 1 (SOC1) and Service Organization Control 2 (SOC2) audit reports (or industry-standard successor reports)
12. **Monitoring.** Network and systems monitoring, including error logs on servers, disks and security events for any potential problems. Such monitoring includes:
- a) Reviewing changes affecting systems handling authentication, authorization, and auditing;
 - b) Reviewing privileged access to Workday production systems; and
 - c) Engaging third parties to perform network vulnerability assessments and penetration testing on a regular basis.
13. **Change and Configuration Management.** Maintaining policies and procedures for managing changes Workday makes to production systems, applications, and databases. Such policies and procedures include:
- a) A process for documenting, testing and approving the patching and maintenance of the Service;
 - b) A security patching process that requires patching systems in a timely manner based on a risk analysis; and
 - c) A process for Workday to utilize a third party to conduct web application level security assessments. These assessments generally include testing, where applicable, for:
 - i) Cross-site request forgery
 - ii) Services scanning
 - iii) Improper input handling (e.g. cross-site scripting, SQL injection, XML injection, cross-site flashing)
 - iv) XML and SOAP attacks
 - v) Weak session management
 - vi) Data validation flaws and data model constraint inconsistencies
 - vii) Insufficient authentication
 - viii) Insufficient authorization
14. **Program Adjustments.** Workday monitors, evaluates, and adjusts, as appropriate, the security program in light of:
- a) Any relevant changes in technology and any internal or external threats to Workday or the Customer Data or Professional Services Data;
 - b) Security and data privacy regulations applicable to Workday; and
 - c) Workday's own changing business arrangements, such as mergers and acquisitions, alliances and joint ventures, outsourcing arrangements, and changes to information systems.
15. **Devices.** All laptop and desktop computing devices utilized by Workday and any subcontractors when accessing Customer Data or Professional Services Data:
- a) will be equipped with a minimum of AES 128 bit full hard disk drive encryption;



Security Exhibit

- b) will have up to date virus and malware detection and prevention software installed with virus definitions updated on a regular basis; and
- c) shall maintain virus and malware detection and prevention software so as to remain on a supported release. This shall include, but not be limited to, promptly implementing any applicable security-related enhancement or fix made available by supplier of such software.

Definitions

“Professional Services” means consulting or professional services provided to Customer under an agreement between the parties for the provision of consulting or professional services, including but not limited to the following agreements or terms: the Lifecycle Deployment Program Terms and Conditions, the Professional Services Agreement, the Delivery Assurance terms, the Professional Services Attachment, and/or the Consulting and Training Addendum and Amendment.

“Professional Services Data” means electronic data or information that is provided to Workday under a Professional Services engagement with Workday for the purpose of being input into the Workday Service, or Customer Data accessed within or extracted from the Customer’s tenant to perform the Professional Services.

“SFTP Server” means a Secure File Transfer Protocol server or its successor provided and controlled by Workday to transfer the Professional Services Data between Customer and Workday for implementation purposes.

City of Georgetown, Texas
Government and Finance Advisory Board
July 28, 2021

SUBJECT:

Consideration and possible action to recommend an annual agreement between the City of Georgetown and DataProse LLC for utility bill printing and mailing services with an annual not to exceed amount of \$400,000.00 and to authorize the City Manager to execute renewals of the agreement for up to two additional one-year terms with the same terms and conditions for a total 3-year contract not to exceed amount of \$1,200,000 - Cindy Pospisil, Customer Care Manager, Leticia Zavala, Customer Care Director

ITEM SUMMARY:

The City issued a Request for Proposal for bill print and mailing services in May 2021. Traditionally, the city had awarded this service through an inter-local agreement with the City of Plano. When this practice began in 2001, the City's was small and would not have received the volume pricing that the inter-local agreement provided. Over the years, the city has had much success with Plano's vendor, however staff wanted to independently verify the pricing through an RFP to ensure the city was getting the best possible rate for the city's specific needs.

Staff received eight proposals, and after a comprehensive scoring process staff recommends awarding the contract to DataProse LLC. DataProse is the same vendor utilized by the City of Plano and staff was able to reduce the printing and insertion costs of the contract through the RFP process by \$0.01 per bill.

Postage is the largest component of the contract and has the most impact to cost. Current postage rates increased in January 2021, and USPS has advised they will increase again in August 2021. Staff is estimating postage at \$0.48 per bill for FY22.

The city printed and mailed 51,767 bills per month (on average) in the last 12 months for a total cost of \$351,267.15. Including growth, staff anticipates printing and mailing 56,000 bills, notices, and account specific letters (on average/per month) in the next year. At this level, total estimated costs for the contract are \$389,760 (calculated below).

Bills printed & delivered vis USPS: $(56,000 \text{ (bills/month)} \times .58 \text{ (rate)} \times 12 \text{ (months)}) = \$389,760$

Postage is estimated to be \$322,560 and printing and insertion services are \$67,200. Staff is requesting a total not to exceed annual contract cost of \$400,000.

FINANCIAL IMPACT:

The estimated contract cost for 2021/2022 is \$389,760 which is an increase of 23% over the prior year, or \$73,920. The increase is due to anticipated growth and projected postage increases.

The funding is in the 2020/21 Customer Care Budget CC0321, Spend Category Consulting-Governmental. Staff recommends approval of this item.

SUBMITTED BY:

Sharon Parker

ATTACHMENTS:

	Description	Type
📎	Presentation	Presentation
📎	Dataprose General Services Contract	Backup Material

Utility Bill Printing and Mailing Services

**General Government and Finance Board
7.28.2021**

Agenda

- History
- RFP process
- Scoring
- Staff Recommendation

History

- **Dataprose has been the City's utility bill print and mail services provider since 2001**
- **The City has historically utilized an interlocal agreement with the City of Plano to piggyback on their contract**

Request for Proposal

- **RFP issued 5/3/2021**
- **Received 8 proposals**
 - American Printing
 - CW Print Services
 - Dataprose
 - Envelopes and Forms Inc, DBA Surebill
 - Infosend Inc
 - Level One LLC
 - Sebis Direct
 - Variverge LLC
- **Three person team from Customer Care reviewed and scored proposals**

Scoring

Supplier	Rank	Score
DataProse, LLC	1	98.3
InfoSend, Inc	2	87.3
Level One LLC a Doxim Company	3	81.7
Sebis Direct	4	79.7
ENVELOPES AND FORMS, INC., DBA	5	79.0
VariVerge, LLC	6	77.0
American Printing & Mailing	7	42.3
C W SERVICES	8	33.3

Dataprose Advantages

- **Current vendor, so no implementation necessary**
- **Excellent track record for past 20 years**
- **Bills are printed and mailed in Texas**
- **Bills are mailed Monday through Saturday**
- **Competitive pricing**
 - \$0.01 reduction in printing and insertion costs

Summary and Next steps

- **Seeking recommendation today for new contract with Dataprose for utility bill printing and mailing services at total cost of \$400,000 per year for 3 years**
 - Contract is for one year, with two one-year extensions
- **On July 1st launched campaign to promote ebilling, customers can choose to receive notifications by email, by text, or both**

QUESTIONS?

GENERAL SERVICE CONTRACT WITH THE CITY OF GEORGETOWN, TEXAS

This General Service Contract is by and between the **City of Georgetown**, a Texas Home-Rule Municipal Corporation (the “City”), and **DataProse, LLC**, (the “Contractor”), for the printing and mailing of utility bills and inserts, including receiving and processing a data transfer daily, CASS certification, printing and folding of bills and inserts, envelope inserting, presorting, metering, and mailing, as further described in the Scope of Services attached as **Exhibit A**.

- 1. Consideration.** In consideration for the services performed in the Scope of Services and Contractor’s completion of work in conformity with this Contract, the City shall pay the Contractor an amount not to exceed **four hundred thousand and 00/100 Dollars (\$400,000.00)**
- 2. Payment Application.** Within **seven (7)** calendar days of completion of the services, the Contractor will submit its payment application to the City.
- 3. City’s Payment and Approval.** All payments will be processed in accordance with Texas Prompt Payment Act, Texas Government Code, Subtitle F, Chapter 2251. The City will pay Contractor within thirty days after of receipt of a correct payment application for services. The Contractor may charge a late fee (fee shall not be greater than that permitted under the Texas Prompt Payment Act) for payments not made in accordance with this prompt payment policy; however, the policy does not apply to payments made by the City in the event: (a) there is a bona fide dispute between the City and Contractor concerning the goods, supplies, materials, equipment delivered, or the services performed, that causes the payment to be late; (b) the terms of a federal agreement, grant, regulation or statute prevents the City from making a timely payment with Federal funds; (c) there is a bona fide dispute between the Contractor and a subcontractor and its suppliers concerning goods, supplies, material or equipment delivered, or the services performed, which caused the payment to be late; or (d) the payment application is not mailed to the City in accordance with Agreement.
- 4. Term.** The initial term of the Contract is for one (1) year, with the option to renew for three (3) additional one- (1) year terms, for a total of three (3) years. Any renewal must be in writing and executed by the parties. The renewal will be under the same terms and conditions as the original Agreement; provided, however, that the unit prices proposed under the original agreement may, by mutual consent, be increased pursuant to any escalation/de-escalation provisions provided herein. In the event a new Agreement cannot be executed at the anniversary date of the original term or any renewal term, the Agreement may be renewed month-to-month until a new Agreement is executed.
- 5. Escalation/De-escalation.** The unit prices of all items purchased under an estimated annual requirements contract is firm for the first annual period of the contract. If the option to renew for additional one-year term(s) is exercised by the City, the City may allow a unit price adjustment at the time of renewal. The Vendor may request unit price adjustments when correlated with the Consumer Price Index specified herein. The price index shall be the

specified index as published by the Bureau of Labor Statistics, Washington, DC 2012. The baseline index shall be the index announced for the month in which Bid opened. Unit prices may be adjusted for each renewal period in accordance with the changes in the index. The allowable percent change shall be calculated by subtracting the baseline index from the index announced for the month in which the renewal option is exercised (or the most current month published by the Bureau of Labor Statistics) and dividing the result by the baseline index. The allowable percent change shall be rounded to the nearest one-hundredth of one percent and the maximum unit price adjustments permitted will be no more than five (5) % increase per renewal period; however, the City reserves the right to limit the unit price increases at any renewal period. The Vendor may offer price decreases in excess of the allowable percent change. Vendor(s) are required to give a thirty (30) day written notice requesting the increase. Increases will be effective on the start date of the renewal term.

6. **Executed Contract.** The “Notice to Proceed” will not be given, nor shall any work commence, until this Contract is fully executed and all exhibits and other attachments are completely executed and attached to the Contract.
7. **Change Orders.** Changes will not be made, nor will invoices for changes, alterations, modifications, deviations, or extra work or services be recognized or paid, except upon the prior written order from authorized personnel of the City. The Contractor will not execute change orders on behalf of the City or otherwise alter the scope of the services except in the event of a duly authorized change order approved by the City as provided in this Contract.
8. **Dispute Resolution.** If either the Contractor or the City has a claim or dispute, the parties shall first attempt to resolve the matter through this dispute resolution process. The disputing party shall notify the other party in writing as soon as practicable after discovering the claim, dispute or breach. The notice shall state the nature of the dispute and list the party’s specific reasons for such dispute. Within ten (10) business days of receipt of the notice, both parties shall make a good faith effort, in person or through generally accepted means, to resolve any claim, dispute, breach or other matter in question that may arise out of, or is in connection with, this Agreement. If the parties fail to resolve the dispute within sixty (60) days of the date of receipt of the notice of the dispute, then the parties may submit the matter to non-binding mediation upon written consent of authorized representatives of both parties. If the parties cannot resolve the dispute through mediation, then either party shall have the right to exercise any and all remedies available regarding the dispute. If there is a dispute between the Contractor and the City respecting any service provided or to be provided hereunder by the Contractor, the Contractor agrees to continue providing on a timely basis all services to be provided by the Contractor hereunder, including any service as to which there is a dispute.
9. **Independent Contractor.** It is understood and agreed by the parties that the Contractor is an independent contractor retained for the services described in the Scope of Services. The City will not control the manner or the means of the Contractor’s performance, but shall be entitled to work product as detailed in the Scope of Services. The City will not be responsible for reporting or paying employment taxes or other similar levies that may be

required by the United States Internal Revenue Service or other State or Federal agencies. This Contract does not create a joint venture.

- 10. Subcontractor.** The term "subcontractor" shall mean and include only those hired by and having a direct contract with Contractor for performance of work on the Project. The City shall have no responsibility to any subcontractor employed by a Contractor for performance of work on the Project, and all subcontractors shall look exclusively to the Contractor for any payments due. The Contractor shall be fully responsible to the City for the acts and omissions of its subcontractors. Nothing contained herein shall create any contractual or employment relations between any subcontractor and the City.
- 11. Insurance.** Contractor shall procure and maintain at its sole cost and expense for the duration of this Agreement insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, volunteers, employees or subcontractors. The policies, limits and endorsements required are set forth in **Exhibit C**. Contractor's insurance certificate satisfying the City insurance requirements is attached as **Exhibit D**.
- 12. INDEMNIFICATION. THE CONTRACTOR SHALL INDEMNIFY, HOLD HARMLESS, AND DEFEND THE CITY, ITS OFFICERS, AGENTS, VOLUNTEERS, AND EMPLOYEES FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, DAMAGES, CAUSES OF ACTION, SUITS, AND LIABILITY OF EVERY KIND, INCLUDING ALL EXPENSES OF LITIGATION, COURT COSTS, AND ATTORNEYS' FEES, FOR INJURY TO OR DEATH OF ANY PERSON OR FOR DAMAGE TO ANY PROPERTY ARISING OUT OF OR IN CONNECTION WITH THE WORK DONE BY THE CONTRACTOR, ITS AGENTS, REPRESENTATIVES, VOLUNTEERS, EMPLOYEES, OR SUBCONTRACTORS UNDER THIS CONTRACT. SUCH INDEMNITY SHALL APPLY REGARDLESS OF WHETHER THE CLAIMS, LOSSES, DAMAGES, CAUSES OF ACTION, SUITS, OR LIABILITY ARISE IN WHOLE OR IN PART FROM THE NEGLIGENCE OF THE CITY, ANY OTHER PARTY INDEMNIFIED HEREUNDER, THE CONTRACTOR, OR ANY THIRD PARTY.**
- 13. RELEASE. THE CONTRACTOR ASSUMES FULL RESPONSIBILITY FOR THE WORK TO BE PERFORMED HEREUNDER AND HEREBY RELEASES, RELINQUISHES, AND DISCHARGES THE CITY, ITS OFFICERS, AGENTS, VOLUNTEERS, AND EMPLOYEES FROM ALL CLAIMS, DEMANDS, AND CAUSES OF ACTION OF EVERY KIND AND CHARACTER, INCLUDING THE COST OF DEFENSE THEREOF, FOR ANY INJURY TO OR DEATH OF ANY PERSON AND ANY LOSS OF OR DAMAGE TO ANY PROPERTY THAT IS CAUSED BY, ALLEGED TO BE CAUSED BY, ARISING OUT OF, OR IN CONNECTION WITH THE WORK TO BE PERFORMED HEREUNDER BY CONTRACTOR, ITS AGENTS, REPRESENTATIVES, VOLUNTEERS, EMPLOYEES, OR SUBCONTRACTORS. THIS RELEASE SHALL APPLY REGARDLESS OF WHETHER SAID CLAIMS, DEMANDS, AND CAUSES OF ACTION ARE COVERED IN WHOLE OR IN PART BY INSURANCE AND**

REGARDLESS OF WHETHER SUCH INJURY, DEATH, LOSS, OR DAMAGE WAS CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE OF THE CITY, ANY OTHER PARTY RELEASED HEREUNDER, THE CONTRACTOR, OR ANY THIRD PARTY.

- 14. Performance.** Contractor, its employees, associates, or subcontractors shall perform all the services described in the Scope of Services in a professional manner and be fully qualified and competent to perform those services. Contractor shall undertake the work and complete it in a timely manner.
- 15. Termination for Convenience.** The City shall have the right to terminate this Agreement, in whole or in part, without cause any time upon thirty (30) calendar days' prior written notice. Upon receipt of a notice of termination, the Contractor shall promptly cease all further work pursuant to the Agreement, with such exceptions, if any, specified in the notice of termination. The City shall pay the Contractor, to the extent of funds appropriated or otherwise legally available for such purposes, for all services performed and obligations incurred prior to the date of termination.
- 16. Termination for Cause.** In addition to the termination rights described above, either party may terminate this Agreement effective upon written notice to the other if the other breaches any of the terms and conditions of this Agreement and fails to cure that breach within thirty (30) days after receiving written notice of the breach. In the event of an incurable breach, the non-breaching party may terminate this Agreement effective immediately upon written notice to the breaching party.
- 17. Venue.** This Contract has been made under and shall be governed by the laws of the State of Texas. The parties agree that performance and all matters related thereto shall be in Williamson County, Texas.
- 18. Amendment.** This Contract may only be amended by written instrument approved and executed by the parties.
- 19. Taxes.** The City is exempt from payment of state and local sales and use taxes on labor and materials incorporated into the project. If necessary, it is the Contractor's responsibility to obtain a sales tax permit, resale certificate, and exemption certificate that shall enable the Contractor to buy any materials to be incorporated into the project and then resell the aforementioned materials to the City without paying the tax on the materials at the time of purchase.
- 20. Compliance with Laws.** The Contractor will comply with all applicable federal, state, and local statutes, regulations, ordinances, and other laws.
- 21. Waiver of Terms.** No waiver or deferral by either party of any term or condition of this Contract shall be deemed or construed to be a waiver or deferral of any other term or condition or subsequent waiver or deferral of the same term or condition.

22. Assignment. This Contract and the rights and obligations contained herein may not be assigned by the Contractor without the prior written approval of City.

23. Entire Agreement. This Contract represents the entire and integrated agreement between the City and Contractor and supersedes all prior negotiations, representations, or agreements, either written or oral.

24. Effective Date. This Contract will be effective when it is signed by the last party making it fully executed.

25. Notices. Any notice or communication permitted or required by this Agreement shall be deemed effective when personally delivered or deposited, postage prepaid, in the first class mail of the United States properly, or sent via electronic means, addressed to the appropriate party at the address set forth below:

Notice to the Contractor:

Notice to the City:

City of Georgetown
ATTN: City Manager
P.O. Box 409
Georgetown, Texas 78627
david.morgan@georgetown.org

With a copy to:

City of Georgetown
ATTN: City Attorney
P.O. Box 409
Georgetown, Texas 78627
skye.masson@georgetown.org

26. Severability. This Agreement is severable and if any one or more parts of it are found to be invalid, such invalidity shall not affect the remainder of this Agreement if it can be given effect without the invalid parts.

27. Duplicate Originals. The parties may execute this Contract in duplicate originals, each of equal dignity.

28. Exhibits. All exhibits to this Contract are incorporated and made part of this Agreement for all purposes.

List of Exhibits

- A.** Scope of Services
- B.** Payment Schedule
- C.** Insurance Requirements
- D.** Certificates of Insurance

[signatures on the following page]

DataProse, LLC

By:_____

Printed Name:_____

Title:_____

Date:_____

CITY OF GEORGETOWN

By:_____

Josh Schroeder, Mayor

Date:_____

ATTEST:

Robyn Densmore, City Secretary

APPROVED AS TO FORM:

Skye Masson, City Attorney

EXHIBIT A SCOPE OF SERVICES

The terms and conditions of this Contract shall take precedence and control over any term or provision of the Scope of Services that in any way conflicts with, differs from, or attempts to alter the terms of this Contract.

SCOPE OF WORK

A. REQUIRED SERVICES

1. GENERAL SERVICES

- 1.1 All materials are to be furnished by the contractor. City of Georgetown provides all the data.
- 1.2 Contractor will provide security of information and supervision from start to finish.
- 1.3 Contractor will provide a single point of contact representing the account.
- 1.4 Contractor will keep warehouse envelopes in climate-controlled conditions.
- 1.5 Contractor will accept electronic data transmissions 24/7.
- 1.6 Contractor will have an emergency backup plan to avoid out-of-service situations.
- 1.7 Contractor will provide secure access for online transmission through SSL.
- 1.8 Contractor will provide capability to enable batch printing of selectively excluded bills.

2. DAILY TRANSMISSION OF ELECTRONIC DATA

- 2.1 ZIP data files will be provided nightly.
- 2.2 Contractor must provide secure electronic means for file transmission.
- 2.3 Contractor must be able to receive and process file-batched PDFs containing multiple bills. Maximum files sizes will be 200 MB. Multiple batch PDFs will be generated for each cycle.
- 2.4 Contractor must be able to read and process White Text, which provide instructions to perform actions, in the PDF files.
- 2.5 Contractor must be able to convert the actual address in each PDF to an Intelligent Mail Barcode for the US Postal Service.
- 2.6 Contractor must be able to handle inserting/leaflet work.
- 2.7 Contractor must support duplex printing.
- 2.8 Contractor must provide a daily report containing a “total number” of pieces received and printed, along with any inserts that may have been included. This

report must be available to the CITY, twelve (12 hours) prior to the delivery of the bills to the Postal Service.

- 2.9 Data may be transmitted in multiple files throughout the day. Files received prior to noon should be processed and mailed the same day.

3. DATA PROCESSING AND MAIL PREPARATION

- 3.1 Contractor must have CASS certification to ensure lowest possible postage costs.
- 3.2 Contractor must perform carrier route sort in compliance with latest USPS standard.
- 3.3 Bills going to same mailing address are to be inserted up to three into the standard mail-out envelope or four to fifty merged for stuffing into one bulk envelope.
- 3.4 Contractor must include all outgoing mail in the ZIP +4 bar coding conforming to postal requirements for automated processing.

4. APPROVAL OF FORMS AND ENVELOPE ORDERS

- 4.1 The City will approve print stock and envelopes. Any changes during the contract must have City approval.
- 4.2 Proofs will be provided for approval prior to first printing and at any time a change in format is made.
- 4.3 All artwork remains the property of the City.

5. BILL PRINTING

- 5.1 Pre-printed forms of any kind will not be used.
- 5.2 Contractor must use high-quality print with 600 DPI or better, full-color, two-sided.
- 5.3 Bill print fonts include optical character recognition (OCR) for automated scanning and processing.
- 5.4 Contractor must use 8-1/2 inch x 11 inch with perforation. (See exhibit B-1, B-2) Statements may vary in layout and format.
- 5.5 Contractor must use paper weight i 24-pound bond.
- 5.6 Contractor must ensure that the top portion of bill is for customer retention and contains billing information.
- 5.7 Contractor must perforate bottom portion to produce a return stub 8-1/2 inch x 3-5/8 inch to be returned by customer with payment.
- 5.8 Contractor must fold to fit a #10 window envelope with required information visible. Bills to be inserted in a bulk envelope are to be folded to fit the bulk envelope.

6. LATE NOTICES

- 6.1 Pre-printed forms of any kind will not be used.
- 6.2 Contractor must use high-quality print with 600 DPI or better, full-color, one-sided.
- 6.3 Bill print fonts include optical character recognition (OCR) for automated scanning and processing.
- 6.4 Contractor must use 8-1/2 inch x 11 inch with perforation. (See exhibit C-1) Statements may vary in layout and format.
- 6.5 Contractor must use paper weight i 24-pound bond.
- 6.6 Contractor must ensure that top portion of bill is for customer retention and contains billing information.
- 6.7 Contractor must perforate bottom portion to produce a return stub 8-1/2 inch x 3-5/8 inch to be returned by customer with payment.
- 6.8 Contractor must fold to fit a #10 window envelope with required information visible.

7. LETTERS

- 7.1 Pre-printed forms of any kind will not be used.
- 7.2 Contractor must use high-quality print with 600 DPI or better, full-color, two-sided.
- 7.3 Contractor must use 8-1/2 inch x 11 inch (See exhibits D-1 – D-4) Letters may vary in layout and format.
- 7.4 Contractor must use paper weight i 24-pound bond.
- 7.5 Contractor must fold to fit a #10 window envelope with required information visible.

8. ENVELOPES

Envelope descriptions below are what is currently being used. Offerors may propose alternatives.

8.1 Mail Out Envelopes

- 8.1.1 #10 pistol window, 24-pound white wove printed one color (black ink) plus inside security tint. (See Exhibit E-1)
- 8.1.2 Window size must comply with USPS for utilization of bar code.
- 8.1.3 Contractor must have the ability to include return mail processing codes if required.

8.2 Return Envelopes

- 8.2.1 #8-5/8 window reply envelope, 20-pound white wove printed one color (black ink) plus inside security tint. (Exhibit E-2).
- 8.2.2 Bar coded for return address.

8.3 Bulk Envelope (Mail Out)

These envelopes are used to mail bills to customers such as apartment complexes who have multiple accounts going to the same address in a single

envelope.

8.3.1 9" x 12" booklet envelope, 28# white wove.

8.3.2 May use mailing label or window envelope with cover page.

8.3.3. Additional contents include one return envelope and one of each additional information insert.

9. UTILITY BILL FOLDING AND INSERTING

Contractor must fold statement to fit mail out or bulk envelope, as appropriate.

Contractor must have multiple page and selective inserting capabilities.

Contents include statement, return envelope, and up to three additional inserts.

10. OFFSET PRINTING

Inserts may be printed one-sided or two-sided, one-, two-, or four-color, and may have full bleeds. Sized as follows:

Small-8-1/2" x 3-1/2" (See Exhibit F-1)

Medium 8-1/2" x 5-1/2"

Large 8-1/2" x 11" (See Exhibit F-2)

11. MAILING

11.1 Daily (6 days per week)

11.2 Turnaround – data in by noon, process same business day and deliver to USPS bulk processing center.

12. INVOICING

12.1 Invoicing shall be on a monthly basis.

12.2 Contractor may only invoice for work completed.

12.3 Insert Printing should be invoiced separately from bill printing.

12.4 Invoicing should itemize services according to proposal form.

12.5 Contractor must specify details of special handling bills.

12.6 Contractor must list number of bills printed for the period.

13. TRAINING

Contractor is required to provide training to City staff as needed to ensure continuity of the process.

14. WARRANTY

Contractor is responsible for all costs associated with errant printing and mailing of bills due to no fault of the City.

15. ADDED VALUE

15.1 The City encourages offerors to provide Environmentally Preferable Products. Options of interest include:

15.3.1 Vegetable-based and recycled (filtered) inks; avoid inks containing heavy metals.

15.3.2 Papers and envelopes made with post-consumer fiber and other

- environmentally preferable paper fibers.
- 15.3.3 Processed chlorine-free papers.

16. QUALIFICATIONS

Contractor represents that it has a predominant business function, facilities and equipment related to the scope of work. Facility and equipment shall be available during reasonable business hours for inspection and review by City management and billing personnel.

17. WORK HISTORY

Contractor represents that it has a successful work history with companies or governmental agencies of this scope and size within the last three years.

EXHIBIT B
PAYMENT SCHEDULE

The Contractor must submit *monthly* invoices to the City, accompanied by an explanation of charges, fees, services, and expenses. The City will pay such invoices in compliance with the Texas Prompt Payment Act.

The pricing for services shall be as follows:

Line #	Description	QTY	UOM	Unit	Extended
1	One time charge for startup costs. Provide a description of all items included in this charge in the comments to Buyer or as an attachment to your offer.	1	Lump Sum	\$0.00	\$0.00
2	Bill Processing: Process/Print Mail	42000	EA	\$0.0528	\$2,217.60
3	Late Notices: Process/Print/Mail	10000	EA	\$0.0488	\$488.00
4	Letters: Process/Print/Mail	1500	EA	\$0.0528	\$79.20
5	Mail Out Envelopes	53500	EA	\$0.0177	\$946.95
6	Return Envelopes	52000	EA	\$0.0135	\$702.00

EXHIBIT C

INSURANCE REQUIREMENTS

I. The Contractor agrees to maintain the types and amounts of insurance required in this Agreement throughout the term of the Agreement. The following insurance policies shall be required:

- A. Commercial General Liability
- B. Business Automobile Liability
- C. Workers' Compensation
- D. Professional Liability

II. For each of these policies, the Contractor's insurance coverage shall be primary with respect to the City, its officials, agents, employees and volunteers. Any insurance or self-insurance carried or obtained by the City, its officials, agents, employees or volunteers, shall be considered in excess of the Contractor's insurance and shall not contribute to it. No term or provision of the indemnification provided by the Contractor to the City pursuant to this Agreement shall be construed or interpreted as limiting or otherwise affecting the terms of the insurance coverage. All Certificates of Insurance and endorsements shall be furnished to the City's Representative at the time of execution of this Agreement, attached hereto as Exhibit D, and approved by the City *before* work commences.

III. General Requirements Applicable to All Policies.

- A. Only licensed insurance carriers authorized to do business in the State of Texas shall be accepted.
- B. Deductibles shall be listed on the certificate of insurance and are acceptable only on an "occurrence" basis.
- C. "Claims made" policies are not accepted, except for Professional Liability insurance.
- D. Coverage shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) calendar days prior written notice has been given to the City of Georgetown.
- E. The Certificates of Insurance shall be prepared and executed by the insurance company or its authorized agent. Each certificate shall contain the following provisions and warranties:
 - 1. The insurance company is licensed and authorized to do business in the State of Texas
 - 2. The insurance policy is underwritten on forms provided by the Texas State Board of Insurance or ISO
 - 3. All endorsements and coverages are included according to the requirements of this Agreement
 - 4. The form of notice of cancellation, termination, or change in coverage provisions is specified in this attachment

- F. The City of Georgetown, its officials, agents, employees, and volunteers are to be listed as Additional Insureds on the Commercial General Liability and Business Automobile Liability Policies. The coverages shall contain no special limitations on the scope of protection afforded the City, its officials, employees, and volunteers.

V. **Commercial General Liability** requirements:

- A. Coverage shall be written by a carrier rated “A: VIII” or better in accordance with the current A. M. Best Key Rating Guide.
- B. Minimum Combined Single Limit of \$1,000,000 per occurrence per project for bodily injury and property damage with a \$2,000,000 annual aggregate limit.
- C. Coverage shall be at least as broad as Insurance Service's Office Number CG 00 01.
- D. No coverage shall be excluded from the standard policy without notification of individual exclusions being attached for review and acceptance.
- E. The coverage shall not exclude: premises/operations; independent contracts; products/completed operations; contractual liability (insuring the indemnity provided herein); and where exposures exist, Explosion, Collapse and Underground coverage.
- F. The City shall be listed as Additional Insured, and the policy shall be endorsed to waive rights of subrogation, to be primary and non-contributory with regard to any self-insurance or insurance policy held by the City.

VI. **Business Automobile Liability** requirements:

- A. Coverage shall be written by a carrier rated “A:VIII” or better in accordance with the current Best Key Rating Guide.
- B. Minimum Combined Single Limit of \$1,000,000 per occurrence for bodily injury and property damage.
- C. The Business Auto Policy must show Symbol 1 in the Covered Autos portion of the liability section in Item 2 of the declarations page.
- D. The coverage shall include owned, leased or rented autos, non-owned autos, any autos and hired autos.

VII. **Workers' Compensation Insurance** requirements:

- A. Pursuant to the requirements set forth in Title 28, Section 110.110 of the Texas Administrative Code, *all* employees of the Contractor, the Contractor, *all* employees of any and all subcontractors, and all other persons providing services on the Project must be covered by a workers compensation insurance policy, either directly through their employer's policy (the Contractor's, or subcontractor's policy) or through an executed coverage agreement on an approved DWC form. Accordingly, if a subcontractor does not have his or her own policy and a coverage agreement is used, Contractors and subcontractors *must* use that portion of the form whereby the hiring Contractor agrees to provide coverage to the employees of the

subcontractor. The portion of the form that would otherwise allow them not to provide coverage for the employees of an independent Contractor may not be used.

- B. The workers compensation insurance shall include the following terms:
1. Employer's Liability limits of \$1,000,000 for each accident is required.
 2. "Texas Waiver of Our Right to Recover From Others Endorsement, WC 42 03 04" shall be included in this policy.
 3. Texas must appear in Item 3A of the Worker's Compensation coverage or Item 3C must contain the following: All States except those listed in Item 3A and the States of NV, ND, OH, WA, WV, and WY.

VIII. Professional Liability requirements:

- A. Coverage shall be written by a carrier rated "A:VIII" or better in accordance with the current A. M. Best Key Rating Guide.
- B. Minimum of \$1,000,000 per occurrence and \$2,000,000 aggregate, with a maximum deductible of \$100,000.00. Financial statements shall be furnished to the City upon request.
- C. For "claims made" policies, the availability of a 24-month extended reporting period is necessary. The retroactive date shall be shown on the certificate of liability insurance.

EXHIBIT D
CERTIFICATES OF INSURANCE

City of Georgetown, Texas
Government and Finance Advisory Board
July 28, 2021

SUBJECT:

Consideration and possible action to recommend approval of the purchase and installation of furniture from Core Office Interiors, through the Buyboard Contract # 584-19 in the amount of \$51,964.92. - Eric Johnson, Facilities Director and Trish Long, Facilities Manager

ITEM SUMMARY:

This contract is for the purchase and installation of office furniture for the Georgetown Municipal Complex Renovation Phase I project. It includes new furniture for meeting rooms, offices, and office space, as well as reuse and reconfiguration of existing cubical type furniture within new spaces created through the project.

Staff is recommending approval of the purchase and installation of furniture from Core Office Interiors based on a BuyBoard Competitive Purchasing Contract (#584-19) in the amount of \$51,964.92.

FINANCIAL IMPACT:

The total budget for Georgetown Municipal Complex Renovation Phase I is \$529,277.90.
\$250,000 is funded through Certificates of Obligation from Spring 2020
\$250,000 is funded through Certificates of Obligation to be issued Spring 2022
\$29,277 is funded through the Facilities ISF

SUBMITTED BY:

Sharon Parker

ATTACHMENTS:

Description		Type
<input type="checkbox"/>	GMC Remodel - Proposal	Backup Material
<input type="checkbox"/>	Furniture Plan	Backup Material

Quote

CORE Office Interiors - Austin
10300 Metric Blvd Ste 200
Austin, TX 78758-4966
Phone: 512.832.6400
Email: orders-austin@coreoi.com
<https://www.coreoi.com/>

Order Number	5604
Date	06/23/2021
Customer PO No	
Customer Name	CITY OF GEORGETOWN
Salesperson	Marcy Edwards
Project Number	
Terms	NET 30
Page	1 of 6

T CITY OF GEORGETOWN
 O P O BOX 409
 GEORGETOWN, TX 78627

 ATTN: Accounts Payable

S CITY OF GEORGETOWN - GMC
 H 300-1 Industrial Avenue
 I Georgetown, TX 78627
 P

 T ATTN: Trish Long
 O Phone: 512-970-2786
 Email: trish.long@georgetown.org

Prepared for : Marcy Edwards

GMC - REMODEL & RECONFIGURE
 BUYBOARD CONTRACT #584-19

Group	Quantity	Description	Unit Price	Extended Amount
A	1.0	PHASE 1 LABOR	3,578.00	3,578.00

Line	Quantity	Description	List	Unit Price	Extended Amount
1	1.00 Each	CORE OFFICE INTERIORS LABOR 1. TEAR DOWN EXISTING WORKSTATIONS IN AREAS 120, 115, 116, 117, OPEN AREA 108 AND STORE ON-SITE (ROOM 1207) DURING CONSTRUCTION. 2. MOVE RECEPTIONS STATION FROM GUS SIDE TO FRONT ENTRY LOBBY.	0.00	3,578.00	3,578.00

Group	Quantity	Description	Unit Price	Extended Amount
B	1.0	PHASE 2 LABOR	5,707.76	5,707.76

Line	Quantity	Description	List	Unit Price	Extended Amount
2	1.00 Each	CORE OFFICE INTERIORS LABOR 1. REBUILD EXISTING WORKSTATIONS IN AREAS 120, 115, 116, 117, OPEN AREA 108, STORED IN (ROOM 1207) 2. RECEIVE, DELIVER, INSTALLATION OF ALL NEW COMPONENTS 3. STORE REMAINDER OF PRODUCTS IN COG STORAGE	0.00	5,707.76	5,707.76

Group	Quantity	Description	Unit Price	Extended Amount
C	1.0	NEW MEETING/TRAINING ROOM FURNITURE AND PARTS FOR RECONFIGURE	28,540.07	28,540.07

Line	Quantity	Description	List	Unit Price	Extended Amount
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Quote

CORE Office Interiors - Austin
10300 Metric Blvd Ste 200
Austin, TX 78758-4966
Phone: 512.832.6400
Email: orders-austin@coreoi.com
<https://www.coreoi.com/>

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Project Number	
Terms	NET 30
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3	9.00 Each	ALLSTEEL CDG--\$(P1)-.P93 Gussets (1 Pr) \$(P1):P1 Paint Opts .P93:Parchment	129.00	37.09	333.81
4	2.00 Each	ALLSTEEL TK365L--\$(P1)-.P93 L 90-Degree Radius ConnKit 65H Base Pnl \$(P1):P1 Paint Opts .P93:Parchment	172.00	49.45	98.90
5	24.00 Each	HON INDUSTRIES HMT2460G--.N-\$(L2STD)-~~~ Huddle 24x60 Table Top w/Edgeband .N:No Grommets \$(L2STD):Grd L2 Standard Laminates ~:Undecided LAMINATE Option ~:Undecided EDGE Option	417.00	193.49	4,643.76
6	24.00 Each	HON INDUSTRIES HMBFLIP24L--.C-\$(P2)-~ Huddle Flip Top Base for 24x60 and 24x72 Tops .C:Casters \$(P2):P2 Paint Opts ~:Undecided PAINT Option	659.00	293.71	7,049.04
7	48.00 Each	HON INDUSTRIES HPN1--.A-.UU-\$(1)-.CU-10-.T Perpetual Armless Nesting Chair Flex-back 4-legs .A:All-Surface Caster .UU:Back: Upholstered Back \$(1):Gr 1 UPH .CU:Centurion 10:COLOR: Black .T:FRAME: Black	737.00	341.97	16,414.56

Group	Quantity	Description	Unit Price	Extended Amount
D	4.0	4 - CUBES-ROOM 106	1,996.90	7,987.59

Line	Quantity	Description	List	Unit Price	Extended Amount
8	4.00 Each	ALLSTEEL OH1536FD--.YZ-\$(P1)-.P93-.STD 15H x36W Flipper Door Overhead-No Pull .YZ:Sys:Stride-DNA-Optimize \$(P1):P1 Paint Opts .P93:Parchment .STD:Standard Random key	747.00	214.76	859.04
9	7.00 Each	ALLSTEEL TK365E--\$(P1)-.P93 E End Trim Radius ConnKit 65H Base Pnl \$(P1):P1 Paint Opts	104.00	29.90	209.30

Quote

CORE Office Interiors - Austin
10300 Metric Blvd Ste 200
Austin, TX 78758-4966
Phone: 512.832.6400
Email: orders-austin@coreoi.com
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Order Number	5604
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		.P93:Parchment			
10	2.00 Each	ALLSTEEL TK365T--\$(P1)-.P93 T 3-way Radius ConnKit 65H Base Pnl \$(P1):P1 Paint Opts .P93:Parchment	172.00	49.45	98.90
11	4.00 Each	HON INDUSTRIES HN1--.A-.H-.IM-\$(1)-.CU-10-.SB-.T Nucleus Mid Back Work Chair .A:Arm: Adjustable Arm .H:CASTER: Hard (Standard) .IM:Back: Stretch Black \$(1):Gr 1 UPH .CU:Centurion 10:COLOR: Black .SB:Base: Standard Plastic Black .T:FRAME: Black	968.00	421.08	1,684.32
12	4.00 Each	ALLSTEEL T52460ST2--\$(L1CORE)-.LT5B-.EN-.P T-Span 24Dx60W Flat Eg Lam for DNA/2.6 w/Grommets \$(L1CORE):L1 Core Lam Opts .LT5B:Canyon Zephyr .EN:Edg: Parchment .P:Plastic Grommet	559.00	160.71	642.84
13	7.00 Each	ALLSTEEL TK06524WR--\$(P1)-.P93 Structural Raceway Pnl Fr-No Top Trim 65Hx24W \$(P1):P1 Paint Opts .P93:Parchment	311.00	89.41	625.87
14	4.00 Each	ALLSTEEL T6CB24R--\$(P1)-.P93 Cantilever Bracket 24D RH Terrace \$(P1):P1 Paint Opts .P93:Parchment	62.00	17.83	71.32
15	4.00 Each	ALLSTEEL T6CB24L--\$(P1)-.P93 Cantilever Bracket 24D LH Terrace \$(P1):P1 Paint Opts .P93:Parchment	62.00	17.83	71.32
16	3.00 Each	ALLSTEEL TKDPA29R--\$(P1)-.P93 Desk-to-Panel 29-1/2H RH Attach Kit \$(P1):P1 Paint Opts .P93:Parchment	84.00	24.15	72.45
17	3.00 Each	ALLSTEEL TKDPA29L--\$(P1)-.P93 Desk-to-Panel 29-1/2H LH Attach Kit \$(P1):P1 Paint Opts .P93:Parchment	84.00	24.15	72.45
18	3.00 Each	ALLSTEEL TK06536WR--\$(P1)-.P93	333.00	95.74	287.22

Quote

CORE Office Interiors - Austin
10300 Metric Blvd Ste 200
Austin, TX 78758-4966
Phone: 512.832.6400
Email: orders-austin@coreoi.com
<https://www.coreoi.com/>

Order Number	5604
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Project Number	
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		Structural Raceway Pnl Fr-No Top Trim 65Hx36W \$(P1):P1 Paint Opts .P93:Parchment			
19	4.00 Each	ALLSTEEL PF197-233A--\$(P1)-.P93-.EL-.STD Essentials Support Ped BBF 28Hx22-7/8Dx15W Arch Pull \$(P1):P1 Paint Opts .P93:Parchment .EL:PULL: Matte Silver .STD:Standard Random key	882.00	253.58	1,014.32
20	3.00 Each	ALLSTEEL CEP2429F--\$(P1)-.P93 Freestanding 24DX29-1/2H End Pnl Sup \$(P1):P1 Paint Opts .P93:Parchment	199.00	57.21	171.63
21	4.00 Each	ALLSTEEL T52436S--\$(L1CORE)-.LT5B-.EN-.P Primary 24Dx36W Flat Eg Lam w/Grommet \$(L1CORE):L1 Core Lam Opts .LT5B:Canyon Zephyr .EN:Edg: Parchment .P:Plastic Grommet	353.00	101.49	405.96
22	1.00 Each	ALLSTEEL T6BK--\$(P1)-.P93 Worksurface Bracket Kit \$(P1):P1 Paint Opts .P93:Parchment	53.00	15.24	15.24
23	1.00 Each	ALLSTEEL TK365W--\$(P1)-.P93 W Wall Radius Mount Kit 65L \$(P1):P1 Paint Opts .P93:Parchment	180.00	51.75	51.75
24	6.00 Each	ALLSTEEL TKG46536T--\$(CCOM)-~ Ter Tackable Acoustic Tile 65H x 36W \$(CCOM):GRD C COM FAB ~:Undecided FABRIC Option	345.00	99.19	595.14
25	14.00 Each	ALLSTEEL TKG46524T--\$(CCOM)-~ Ter Tackable Acoustic Tile 65H x 24W \$(CCOM):GRD C COM FAB ~:Undecided FABRIC Option	258.00	74.18	1,038.52

Group	Quantity	Description	Unit Price	Extended Amount
E	4.0	LOUNGE CHAIRS AND SIDE TABLES	1,428.50	5,714.00

Line	Quantity	Description	List	Unit Price	Extended Amount
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Quote

CORE Office Interiors - Austin
10300 Metric Blvd Ste 200
Austin, TX 78758-4966
Phone: 512.832.6400
Email: orders-austin@coreoi.com
<https://www.coreoi.com/>

Order Number	5604
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Customer PO No	
Customer Name	CITY OF GEORGETOWN
Salesperson	Marcy Edwards
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26	4.00 Each	SITONIT CP.AS1.SN1--LS12--BS1--FCW2-UMU-(AA)-FG4--(MB)-FG4-- (MV)-SV1-FG4--(MS)-FG4--P1 COMPOSIUM, SHARP SEATING, CLUB 34H X 31W X 28D LS12:Wood Tapered Square ~:No Tablet Arm ~:No Arm Cap BS1:Square ~:No Seat Option ~:No Moisture Barrier ~:No CAL 133 ~:No Power FCW2:Medium Cherry UMU:Multiple Upholstered (AA):Arm Multiple Upholstered FG4:Fabric/Vinyl Grade 4 ~:No Fabric (MB):Back Multiple Upholstered FG4:Fabric/Vinyl Grade 4 ~:No Fabric (MV):Valance Multiple Upholstered SV1:Full Valance FG4:Fabric/Vinyl Grade 4 ~:No Fabric (MS):Seat Multiple Upholstered FG4:Fabric/Vinyl Grade 4 ~:No Fabric P1:Fully assembled in carton	2,200.00	1,100.00	4,400.00
27	2.00 Each	SITONIT MZM.TT6.TZ24.TH18--TE1-FCW2-LSL2-- MEZZANINE, ROUND TABLE,24W X 24D X 18H TE1:Square Edge FCW2:Medium Cherry LSL2:Wood Tapered Square ~:No Wood Guard	1,314.00	657.00	1,314.00

Individual Items		437.50
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Line	Quantity	Description	List	Unit Price	Extended Amount
28	1.00 Each	ALLSTEEL TARIFF/SURCHARGE	0.00	437.50	437.50

Order Sub-Total : \$51,964.92

TOTAL ORDER : \$51,964.92

PLEASE REVIEW THIS QUOTATION AND NOTIFY US PROMPTLY OF ANY CORRECTIONS REQUIRED THANK YOU FOR THE OPPORTUNITY TO BE OF SERVICE

Quote

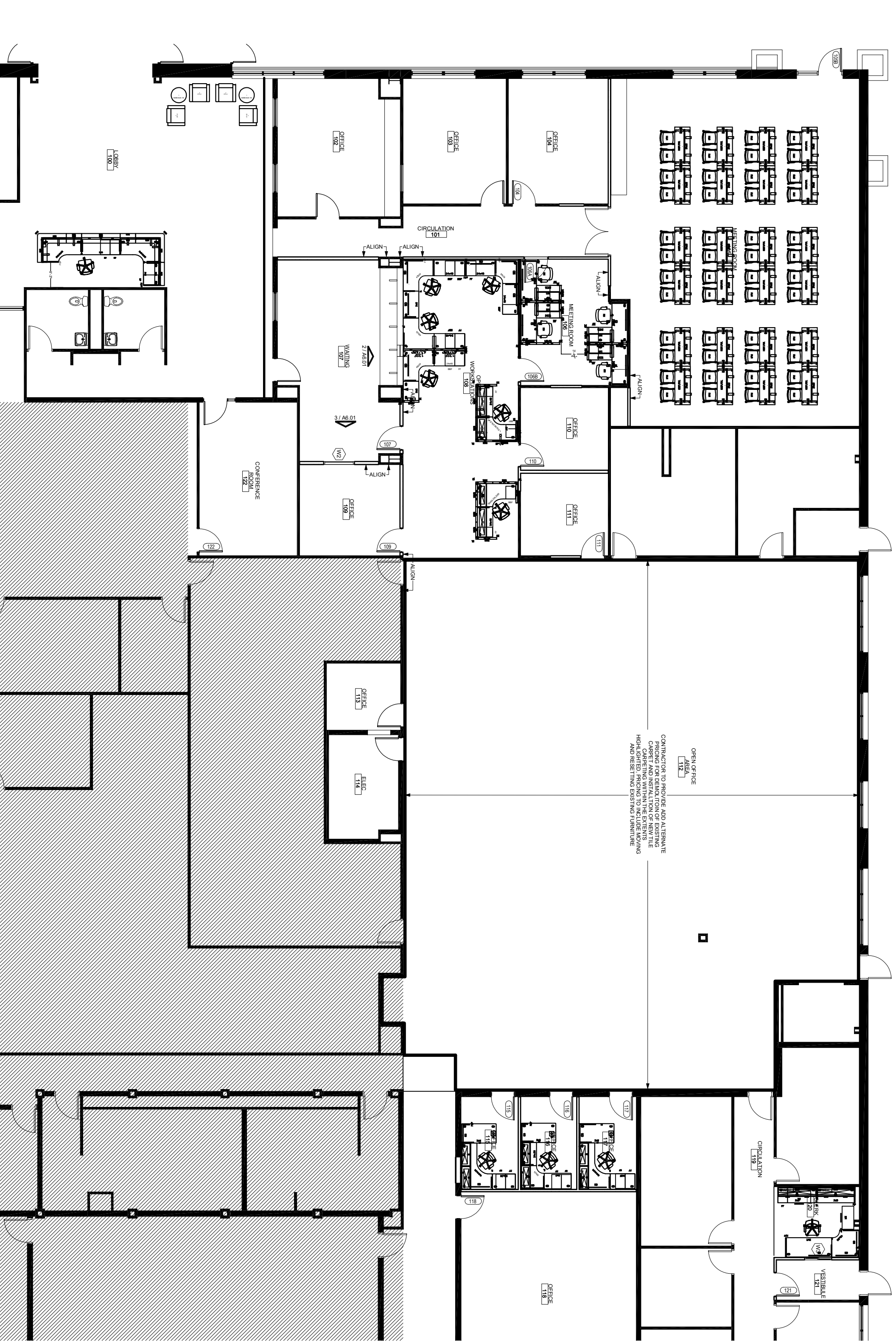
CORE Office Interiors - Austin
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Order Number	5604
Date	06/23/2021
Customer PO No	
Customer Name	CITY OF GEORGETOWN
Salesperson	Marcy Edwards
Project Number	
Terms	NET 30
Page	6 of 6

CORE Office Interiors Terms & Conditions

1. It is understood that this is a custom-built furniture order. For this reason, upon order placement and acceptance by the relevant manufacturer, orders cannot be cancelled following order placement. We will do our best to honor a request in change, cancellation, or return. The customer remains liable for all changes as outlined in this proposal unless changes are approved and in writing. The customer may incur restocking, cancellation and/or change order changes.
2. **Warranty:** Your complete satisfaction and future business is our goal. We take pride in the quality of the products we represent. All applicable manufacturer warranties will be available upon request.
3. **Shipment/Freight:** We will not be liable for any delay or damages claimed to result from shipping or freight carrier. If buyer requests change or postponement of delivery beyond shipping date when we are ready to make delivery, we may store or transfer the goods to our warehouse and/or third-party warehouse at the customers expense. Upon notification to buyer of transfer to storage, the goods shall be deemed delivered to customer for all intents and purposes, including invoicing and payment.
4. Unless specifically noted in this Proposal, all installation and delivery services will be provided during normal working hours 8am to 5 pm Monday through Friday. If services are requested other than normal business hours, additional charges may be assessed.
5. **Pay Terms:** We require a 50% deposit before we place the order of your products, and will invoice 40% when your goods ship from the manufacturer. The remaining 10% will be withheld until the project is complete. All invoices are due upon receipt.
 - a. Credit may be established by CORE Office Interiors with written acceptance of satisfactory references. We may cancel or change credit terms at its discretion and may request advance payment at any time. A 1.5% per month interest charge will be added to accounts which remain unpaid beyond invoice date. Delinquent customers will be liable for reasonable collection costs, including attorney fees.

Signature: _____ **Name:** _____ **Title:** _____ **Date:** _____



City of Georgetown, Texas
Government and Finance Advisory Board
July 28, 2021

SUBJECT:

Consideration and possible action to recommend a Construction Contract with Fineline Electric, Inc. of Georgetown, Texas for the Construction of Georgetown Municipal Complex Renovation Phase I, in the amount of \$382,777. – Eric Johnson, Public Works Director.

ITEM SUMMARY:

This project is to renovate portions of the Georgetown Municipal Complex to provide publicly accessible meeting space and additional security for staff areas through controlled access doorways. In addition this renovation includes the creation of six offices to align with our facilities goals of providing offices for people managers.

On April 28, 2021, the City of Georgetown issued an Invitation to Bid for the Georgetown Municipal Complex Renovation Phase I. The City received five (5) bids on June 2, 2021 . The low qualified bidder for the project was Fineline Electric Inc. of Georgetown, Texas with a base bid of \$353,500 plus an additional \$29,277 for carpet replacement in the large bullpen area for a total of \$382,777 and 84 Calendar days. Staff has reviewed the current workload, references, and construction history of Fineline Electric Inc, and as a result findings staff recommends the contract be awarded to Fineline Electric, Inc.

FINANCIAL IMPACT:

The total budget for Georgetown Municipal Complex Renovation Phase I is \$529,277.90.
\$250,000 is funded through Certificates of Obligation from Spring 2020
\$250,000 is funded through Certificates of Obligation to be issued Spring 2022
\$29,277 is funded through the Facilities ISF

SUBMITTED BY:

Sharon Parker

ATTACHMENTS:

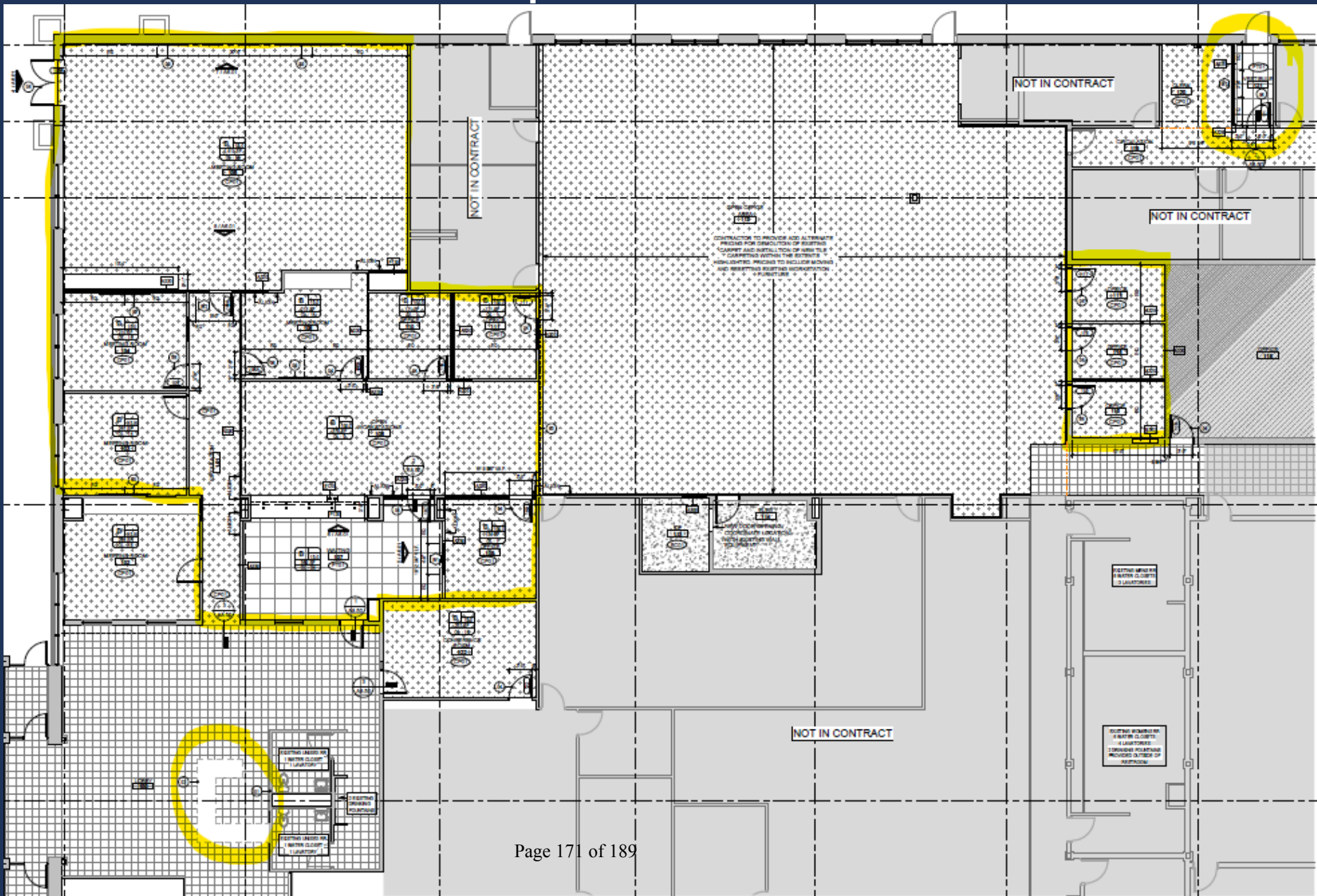
	Description	Type
□	Presentation	Presentation
□	Bid Tab	Backup Material
□	Contract	Backup Material

Georgetown Municipal Complex Renovation Phase I

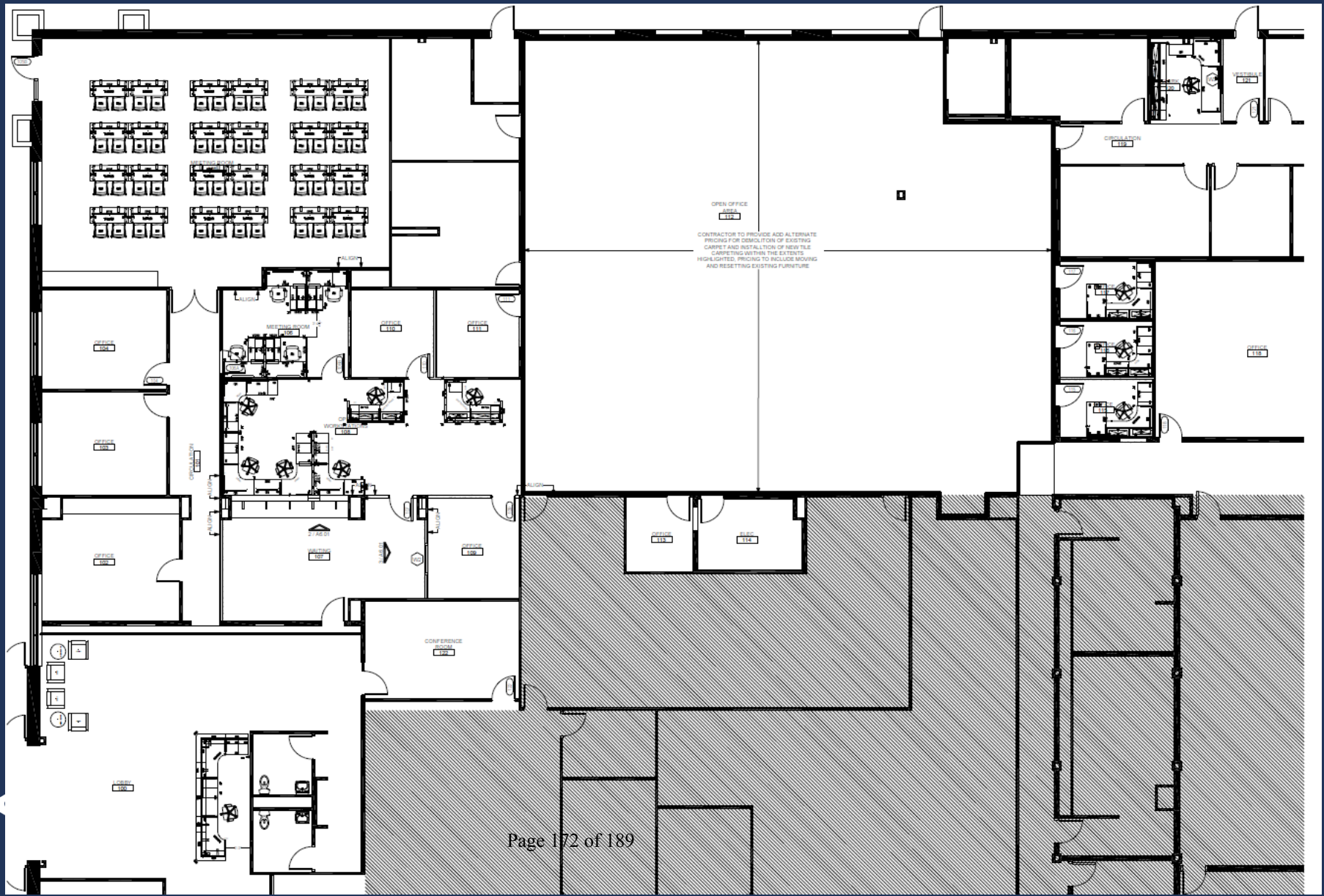
GGAF

July 28, 2021

Construction Scope



Furniture Layout



Background

- Released RFP – April 28, 2021
- Bids Due – June 2, 2021
- 5 Respondents
 - Breck General Contracting
 - DKC Construction Group
 - Fineline Electric, Inc
 - G. Creek Construction
 - HCS, Inc Commercial General Contractor

Contract

- **Total Contract – \$382,777.90**
 - Base Bid - \$353,500
 - Accept Alternate 1 – \$29,277.90 (Additional Carpet Replacement)

Budget - \$529,277

Contract	Total
Design	\$30,550
Construction	\$382,777
Owner Contingency (10%)	\$38,278
Furniture	\$51,965
Other Contracted Services*	\$25,707

* Security, Data Cabling

Funding

- \$29,277 Facilities ISF
- \$250,000 Certificates of Obligation issued Spring 2020
- \$250,000 Certificates of Obligation to be issued Spring 2022

Next Steps

- Council approval August 10, 2021
- Bonds
- Insurance
- Begin Construction late August
- Complete Construction late November

Event Number	202110	Organization	Georgetown Purchasing
Event Title	Georgetown Municipal Complex Renovation	Workgroup	Georgetown TX
Event Description	The City of Georgetown is accepted sealed bids	Event Owner	Nicole Abrego
Event Type	ITB	Email	nicole.abrego@georgetown.org
Issue Date	4/28/2021 08:30:01 AM (CT)	Phone	(512) 930-8454
Close Date	6/2/2021 02:00:00 PM (CT)	Fax	(512) 930-9027

Responding Supplier	City	State	Response Submitted	Lines Responded	Response Total
Fineline	Georgetown	TX	6/2/2021 01:27:41 PM (CT)	2	\$382,777.00
G. Creek Construction	Austin	TX	6/2/2021 12:43:33 PM (CT)	2	\$465,600.00
DKC Construction Group (Game Austin		TX	6/2/2021 01:52:56 PM (CT)	2	\$469,878.00
HCS Inc. Commercial General Cc Waco		TX	6/2/2021 01:50:22 PM (CT)	2	\$476,257.00
Breck General Contracting	Georgetown	TX	6/2/2021 01:52:53 PM (CT)	2	\$507,205.00

Please note: Lines Responded and Response Total only includes responses to specification. No alternate response data is included.

**STANDARD AGREEMENT
BETWEEN OWNER AND CONTRACTOR**

This Agreement is made as of July 20th, 2021 (the "Effective Date"), by and between

The Owner:

City of Georgetown
PO Box 409
Georgetown, Texas 78627

and Contractor:

Fineline Electric, Inc
1625 Williams Dr. Ste 201
Georgetown, TX 78628

for the Project:

Georgetown Municipal Complex Renovation Phase I

Contract Number:

21-0037-CIP

Project Architect:

PGAL
2222 Western Trails Blvd., Suite 300
Austin, Texas 78745

The Owner and the Contractor agree as follows:

TABLE OF CONTENTS

ARTICLE

- 1 SCOPE OF WORK
- 2 CONTRACT DOCUMENTS
- 3 THE CONTRACT SUM
- 4 TIME OF COMPLETION
- 5 LIQUIDATED DAMAGES
- 6 HUB SUBCONTRACTING PLAN
- 7 SAFETY
- 8 CERTIFICATION OF NO ASBESTOS
CONTAINING MATERIALS OR WORK
- 9 PRE-EXISTING CONDITIONS
- 10 BONDS AND INSURANCE
- 11 CONTRACTOR'S SPECIAL
WARRANTIES AND
RESPONSIBILITIES
- 12 INDEMNITY
- 13 PARTY REPRESENTATIVES
- 14 NOTICES
- 15 MISCELLANEOUS PROVISIONS

LIST OF EXHIBITS

The following Exhibits are incorporated into the Agreement as if set out verbatim.

- Ex.A General Conditions
- Ex.B Owner's Special Conditions and Specifications with the date they were issued (if applicable)
- Ex.C Contractor's Proposal (if incorporated into the Project)
- Ex.D List of Drawings, Specifications Addenda, details and other documents developed by Project Architect that describe the Project with the date they were issued.

ARTICLE 1 SCOPE OF WORK

The Contractor has overall responsibility for and shall provide and furnish all materials, equipment, tools and labor as necessary or reasonably inferable to complete the Work, or any phase of the Work, in accordance with the Owner's requirements and the terms of the Contract Documents.

ARTICLE 2 CONTRACT DOCUMENTS

2.1 The Contract Documents consist of:

- a. This Agreement and all exhibits and attachments listed, contained or referenced in this Agreement;
- b. The General Conditions;
- c. Special Conditions and Owner's Specifications;
- d. All Addenda issued before the Effective Date of this Agreement;
- e. All Alternate Bid Proposals accepted by the Owner before the Effective Date of this Agreement;
- f. All Change Orders issued after the Effective Date of this Agreement;
- g. The Drawings, Specifications, details and other documents developed by Project Architect to describe the Project and accepted by Owner;
- h. The Drawings and Specifications developed or prepared by Owner's other consultants, if any, and accepted by the Owner; and
- i. Contractor's Proposal if incorporated into the Project. To the extent of any conflict between Contractor's Proposal and any other Contract Document, the Contract Document shall govern.

2.2 The Contract Documents form the entire and integrated Contract between Owner and Contractor and supersede all prior negotiations, representations or agreements, written or oral.

ARTICLE 3 THE CONTRACT SUM:

3.1 The Owner shall pay the Contractor for performance of the Contract, including the Base Proposal and Alternate Proposal(s), the sum of Three hundred eighty two thousand seven hundred and seventy seven dollars and 00/100 (\$ 382,777.00), and make payment on account as provided in the General Conditions.

3.2 The following Alternate Proposals, fully described in the Specifications and Drawings, are included as a part of the contract sum: Demo / replace carpet / base as identified on sheet AD2.01.

ARTICLE 4 TIME OF COMPLETION:

The Owner shall issue a Notice to Proceed identifying the date for commencement of the Work. The commencement date shall be 10 or more days after the date the notice is issued. The Contractor shall achieve substantial completion of the Work within Eighty-Four (84) calendar days after the commencement date, as such completion date may be extended by approved Change Orders. **THE TIME SET FORTH FOR COMPLETION OF THE WORK IS AN ESSENTIAL ELEMENT OF THE CONTRACT.**

ARTICLE 5 LIQUIDATED DAMAGES:

For each consecutive calendar day after the expiration of the substantial completion period set forth in Article 4 that any incomplete Work prevents or impairs the Owner's ability to operate and use the Project for its intended purposes, including the correction of deficiencies found during the final testing and inspection, the amount of three hundred dollars (\$300) for projects with a contract sum of less than five million dollars (\$5,000,000) and five hundred dollars (\$500) for projects with a contract sum of five million dollars (\$5,000,000) or more will be deducted from the money due or that becomes due the Contractor, not as a penalty but as liquidated damages representing the parties' estimate at the time of executing this Agreement of the damages that the Owner will sustain for late completion.

ARTICLE 6 SAFETY

6.1 In accordance with the General Conditions, Contractor is responsible for initiating, maintaining, and supervising all safety precautions and programs in connection with the Work. The safety program shall comply with all applicable requirements of the Occupational Safety and Health Act of 1970 and all other applicable federal, state and local laws and regulations and with the requirements of Owner's project safety specification.

6.2 Contractor shall provide recommendations and information to Owner and Project Architect regarding the assignment of responsibilities for safety precautions and programs, temporary Project facilities, and equipment, materials, and services for common use of the Subcontractors. Contractor shall verify that appropriate safety provisions are included in the Construction Documents. The existence or creation of any Owner controlled insurance program in connection with the Work shall not lessen or reduce the Contractor's safety responsibilities.

ARTICLE 7 CERTIFICATION OF NO ASBESTOS CONTAINING MATERIALS OR WORK

7.1 The Contractor shall be responsible for ensuring that no asbestos containing materials or work is included within the scope of the Work. The Contractor shall take whatever measures it deems necessary to insure that all employees, suppliers, fabricators, material men, subcontractors, or their assigns, comply with this requirement.

7.2 The Contractor shall ensure that Texas Department of Health licensed individuals, consultants or companies are used for any required asbestos work including asbestos inspection, asbestos abatement plans/specifications, asbestos abatement, asbestos project management and third-party asbestos monitoring.

7.3 At Substantial Completion and Final Completion the Contractor shall provide a certification letter certifying that the Work does not contain asbestos.

ARTICLE 8 PRE-EXISTING CONDITIONS

The Contractor acknowledges that it has been provided unrestricted access to the existing improvements and conditions on the Project site and that it has thoroughly investigated those conditions. Contractor's investigation was instrumental in preparing its Proposal to perform the Work. Contractor shall not make or be entitled to any adjustment to the Contract Time or the Contract Sum arising from Project conditions that Contractor discovered or, in the exercise of reasonable care, should have discovered in Contractor's investigation.

ARTICLE 9 BONDS AND INSURANCE

9.1 The Contractor shall provide performance and payment bonds on forms prescribed by Owner and in accordance with the requirements set forth in the General Conditions. The penal sum of the payment and performance bonds shall be equal to the Contract Sum.

9.2 The Contractor shall not commence work under the Agreement until it has obtained all insurance coverage as required by the General Conditions and until evidence of the required insurance has been reviewed and approved by the Owner. Owner's review of the insurance shall not relieve nor decrease the liability of the Contractor.

ARTICLE 10 CONTRACTOR'S SPECIAL WARRANTIES AND RESPONSIBILITIES

10.1 Contractor agrees and acknowledges that Owner is entering into this Agreement in reliance on Contractor's represented expertise and ability to provide construction services. Contractor agrees to use its best efforts, skill, judgment, and abilities to perform its obligations and to further the interests of Owner in accordance with Owner's requirements and procedures.

10.2 Contractor represents and agrees that it will perform its services in accordance with the usual and customary standards of Contractor's profession or business and in compliance with all applicable national, federal, state, and municipal, laws, regulations, codes, ordinances, orders and with those of any other body having jurisdiction over the Project. Contractor agrees to bear the full cost of correcting Contractor's negligent or improper work and services, those of its consultants, and any harm caused by the negligent or improper work or services.

10.3 Contractor's duties shall not be diminished by any approval by Owner nor shall the Contractor be released from any liability by any approval by Owner, it being understood that the Owner is ultimately relying upon the Contractor's skill and knowledge in performing the services required by this Agreement.

10.4 Contractor represents and agrees that all persons connected with the Contractor directly in charge of its services are duly registered and/or licensed under the laws, rules and regulations of any authority having jurisdiction over the Project if registration is required.

10.5 Contractor represents and agrees to advise Owner of anything of any nature in any drawings, specifications, plans, sketches, instructions, information, requirements, procedures, and other data supplied to the Contractor (by the Owner or any other party) that is, in its opinion, unsuitable, improper, or inaccurate for the purposes for which the document or data is furnished.

10.6 The Contractor represents and agrees to perform its services under this Agreement in an expeditious and economical manner consistent with good business practices and the interests of Owner.

10.7 Contractor represents and agrees that there are no obligations, commitments, or impediments of any kind that will limit or prevent performance of its obligations under this Agreement.

10.8 Contractor represents and agrees that the individual executing this Agreement on behalf of Contractor has been duly authorized to act for and to bind Contractor to its terms.

10.9 Contractor shall designate a representative authorized to act on Contractor's behalf with respect to the Project.

10.10 Contractor shall establish and maintain a numbering and tracking system for all Project records including, but not limited to, changes, requests for information, submittals, and supplementary instructions and shall provide updated records to the Owner when requested.

10.11 Except for the obligation of Owner to pay Contractor certain fees, costs, and expenses pursuant to the terms of this Agreement, Owner shall have no liability to Contractor or to anyone claiming through or under Contractor by reason of the execution or performance of this Agreement. Notwithstanding any obligation or liability of Owner to Contractor, no present or future partner or affiliate of Owner or any agent, officer, director, or employee of Owner, or anyone claiming under Owner has or shall have any personal liability to Contractor or to anyone claiming through or under Contractor by reason of the execution or performance of this Agreement.

ARTICLE 11 INDEMNITY

11.1 SEE ARTICLE 3 OF THE GENERAL CONDITIONS FOR CONTRACTOR'S GENERAL INDEMNIFICATION OBLIGATIONS.

ARTICLE 12 PARTY REPRESENTATIVES

12.1 The Owner's Designated Representative authorized to act in the Owner's behalf with respect to the Project is:

Eric Johnson
Public Works Director
PO Box 409, Georgetown, Texas 78627
(512) 819-3145
Eric.Johnson@Georgetown.org

12.2 The Contractor's designated representative authorized to act on the Contractor's behalf and bind the Contractor with respect to the Project is:

Dave Keister
1625 Williams Dr. Ste 201
Georgetown, TX 78633
(512) 890-8390
(512) 890-8392 (fax)
dave@finelinegc.com

12.3 The parties may make reasonable changes in their designated representatives upon advance written notice to the other party.

ARTICLE 13 NOTICES

Notices of claims or disputes or other legal notices required by this Agreement shall be sent to the following persons at the indicated locations.

If to Owner:

City of Georgetown
300-1 Industrial Ave.

Georgetown, Texas 78626
Attn: Purchasing
With Copies to:
N/A

If to Contractor:
Dave Keister
1625 Williams Dr. Ste 201
Georgetown, TX 78633
(512) 890-8390
(512) 890-8392 (fax)
dave@finelinegc.com

The parties may make reasonable changes in the person or place designated for receipt of notices upon advance written notice to the other party.

ARTICLE 14 MISCELLANEOUS PROVISIONS

14.1 Assignment. This Agreement is a personal service contract for the services of Contractor, and Contractor's interest in this Agreement, duties hereunder and/or fees due hereunder may not be assigned or delegated to a third party without the written consent of the Owner.

14.2 Records of expenses pertaining to Additional Services and services performed on the basis of a Worker Wage Rate or Monthly Salary Rate shall be kept on the basis of generally accepted accounting principles and in accordance with cost accounting standards promulgated by the Federal Office of Management and Budget Cost Accounting Standards Board and shall be available for audit by the Owner or the Owner's authorized representative on reasonable notice.

14.3 Family Code Child Support Certification. Pursuant to Section 231.006, Texas Family Code, Service Provider certifies that it is not ineligible to receive the award of or payments under this Agreement and acknowledges that this Agreement may be terminated and payment may be withheld if this certification is inaccurate.

14.4 Franchise Tax Certification. A corporate or limited liability company Contractor certifies that it is not currently delinquent in the payment of any Franchise Taxes due under Chapter 171 of the *Texas Tax Code*, or that the corporation or limited liability company is exempt from the payment of such taxes, or that the corporation or limited liability company is an out-of-state corporation or limited liability company that is not subject to the Texas Franchise Tax, whichever is applicable.

14.5 Entire Agreement; Modifications. This Agreement supersedes all prior agreements, written or oral, between Contractor and Owner and shall constitute the entire Agreement and understanding between the parties with respect to the Project. This Agreement and each of its provisions shall be binding upon the parties and may not be waived, modified, amended or altered except by a writing signed by Contractor and Owner.

14.6 Captions. The captions of paragraphs in this Agreement are for convenience only and shall not be considered or referred to in resolving questions of interpretation or construction.

14.7 Governing Law and Venue. This Agreement and all of the rights and obligations of the parties and all of the terms and conditions shall be construed, interpreted and applied in accordance with and governed by and enforced under the laws of the State of Texas without reference to its conflicts of law provisions. Williamson County, Texas or the county where the Project is located shall be the sole places of venue for any legal action arising from or related to this Agreement or the Project in which the Owner is a party.

14.8 Waivers. No delay or omission by either party in exercising any right or power arising from non-compliance or failure of performance by the other party with any of the provisions of this Agreement shall impair or constitute a waiver of any such right or power. A waiver by either party of any covenant or condition of this Agreement shall not be construed as a waiver of any subsequent breach of that or of any other covenant or condition of the Agreement.

14.9 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective permitted assigns and successors.

14.10 Appointment. Owner hereby expressly reserves the right from time to time to designate by notice to Contractor a representative(s) to act partially or wholly for Owner in connection with the performance of Owner's obligations. Contractor shall act only upon instructions from the designated representative(s) unless otherwise specifically notified to the contrary.

14.11 Records. Records of Contractor's costs, reimbursable expenses pertaining to the Project and payments shall be available to Owner or its authorized representative during business hours and shall be retained for four (4) years after final Payment or abandonment of the Project, unless Owner otherwise instructs Contractor in writing.

14.12 Notices. All notices, consents, approvals, demands, requests or other communications relied on by the parties shall be in writing. Written notice shall be deemed to have been given when delivered in person to the designated representative of the Contractor or Owner for whom it is intended; or sent by U. S. Mail to the last known business address of the designated representative; or transmitted by fax machine to the last known business fax number of the designated representative. Mail notices are deemed effective upon receipt or on the third business day after the date of mailing, whichever is sooner. Fax notices are deemed effective the next business day after faxing.

14.13 Severability. Should any term or provision of this Agreement be held invalid or unenforceable in any respect, the remaining terms and provisions shall not be affected and this Agreement shall be construed as if the invalid or unenforceable term or provision had never been included.

14.14 Illegal Dumping. The Contractor shall ensure that it and all of its Subcontractors and assigns prevent illegal dumping of litter in accordance with Title 5, *Texas Health and Safety Code*, Chapter 365.

14.15 By signature hereon, Contractor certifies that no member of the City Council, has a financial interest, directly or indirectly, in the transaction that is the subject of this contract.

14.16 Disclosure of Interested Parties. By signature hereon, Contractor certifies that it has complied with Section 2252.908 of the Texas Government Code and Part 1 Texas Administrative Code Sections 46.1 through 46.3 as implemented by the Texas Ethics Commission (TEC), if applicable, and has provided the Owner with a fully executed TEC Form 1295, certified by the TEC and signed and notarized by the Contractor.

14.17 Contractor Certification regarding Boycotting Israel. Pursuant to Chapter 2270, *Texas Government Code*, Contractor certifies Contractor (1) does not currently boycott Israel; and (2) will not boycott Israel during

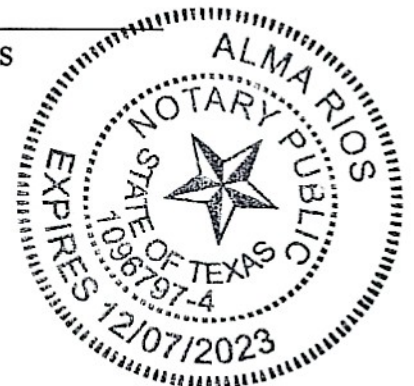
the Term of this Agreement. Contractor acknowledges this Agreement may be terminated and payment withheld if this certification is inaccurate.

14.18 Contractor Certification regarding Business with Certain Countries and Organizations. Pursuant to Subchapter F, Chapter 2252, *Texas Government Code*], Contractor certifies Contractor is not engaged in business with Iran, Sudan, or a foreign terrorist organization. Contractor acknowledges this Agreement may be terminated and payment withheld if this certification is inaccurate.

14.19 Domestic Iron and Steel Certification. Pursuant to Sections 2252.201-2252.205 of the Government Code, Service Provider certifies that it is in compliance with the requirement that any iron or steel product produced through a manufacturing process and used in the project is produced in the United States.

BY SIGNING BELOW, the Parties have executed and bound themselves to this Agreement as of the day and year first above written.

[SIGNATURES PROVIDED ON FOLLOWING PAGE]



City of Georgetown, Texas
Government and Finance Advisory Board
July 28, 2021

SUBJECT:

ITEM SUMMARY:

FINANCIAL IMPACT:

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SUBMITTED BY:

Sharon Parker