

# SOUTHERN OZAUKEE FIRE & EMS DEPARTMENT



## Financial Policies

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## **INTRODUCTION**

The components of this document have been prepared by staff to provide an outline describing the general processes which are currently used to help facilitate meeting the broader goals of the Department. Furthermore, these policies ensure that the financial resources of the Department are managed in a manner consistent with those expectations. They are intended to highlight the significant components of the processes used to achieve these goals and are not intended to be an all-inclusive listing of the duties required of staff at the direction of the SOFD Board.

These policies will be reviewed periodically in order to determine if any additional policies may be necessary to fill identified policy gaps, or if any updates are required due to changes in SOFD's practices. Any recommended changes will be presented to the SOFD Board for consideration and approval.

## **POLICY STATEMENT 1 BUDGETING**

Budgets requests are prepared by the Fire Chief with the assistance of staff. The SOFD's budget is prepared for the fiscal year beginning January 1 and ending December 31. The budget is a total financial management plan for the Fire Department's operations.

### **Process Overview:**

By September 1 of each year, the Fire Chief shall submit a proposed budget for the following fiscal year to the SOFD Board for consideration.

The SOFD Board evaluates and amends the proposed budget at their discretion and then adopts a final balanced budget by October 1. A balanced budget requires that proposed budget expenditures shall not exceed the estimated revenues and any applied fund balances.

Thereafter, the Board shall submit the approved Operating Budget to the governing bodies of the municipalities by October 1 of each year. The proposed Operating Budget shall contain an explanation of the Board's reasons for recommending the Operation Budget.

Action by each municipality (City of Mequon, Village of Thiensville) in connection with approval of the Operating Budget (adoption by resolution) shall be completed by November 15 of each year.

No expenditure shall be made or contracted by the Board or any employee with respect to any budget item not contained in the prior year's Operating Budget, until the governing bodies of the municipalities approve the proposed Operating Budget.

In the event an Operating Budget is not approved by the municipalities as set forth above, Net Operating Expenses on a monthly basis shall not exceed Net Operating Expenses during the prior calendar year, plus any cost increases resulting from contractual obligations incurred in the prior year, until budget approval is obtained by both municipalities.

## **POLICY STATEMENT 2** **RESERVE REQUIREMENTS**

This policy outlines the financial practices for the Southern Ozaukee Fire Department (SOFD) regarding maintaining an appropriate cash reserve. SOFD aims to keep an unassigned General Fund Balance or Cash Reserve between 16-25% of the subsequent year's operating expenditures. This goal supports financial stability, improves readiness for emergencies, and strengthens the Department's investment credit rating.

### **Key Details:**

- 1. Fund Balance Use:** If funds exceed 25% of the subsequent year's expenditure budget, the SOFD Board may allocate any excess reserves for:
  - A. One-time capital improvement projects or expenses
  - B. Debt abatement or reduction
  - C. Investments or programs that enhance efficiency or reduce costs
  
- 2. Process for Fund Balance Management:** The Fire Chief will annually provide the SOFD Board with fund balance information as part of the annual budgeting process. This report will include:
  - A. Current fund balance status
  - B. Projections for any budget surplus or deficit
  - C. A five-year history of fund balances, providing insight into financial trends
  
- 3. Primary Sources of Fund Balance Changes:**
  - A. Operating budget surpluses or deficits
  - B. Planned use of funds as outlined in the annual budget

### **POLICY STATEMENT 3 REVENUES**

The Department will seek to maintain a reliable revenue base and will continue to explore ways to diversify its revenue sources, seek full cost recovery for services through user fees when appropriate, and establish cost sharing arrangements with other governmental units in order to minimize the reliance on property taxes to support Department services.

#### **Process Overview:**

When preparing forecasts for the annual budget, staff will utilize generally accepted forecasting techniques that include the use of historical data and trend analysis, as well as considering the impact of changing economic conditions on SOFD's revenue sources. This approach produces revenue estimates that are as reliable as possible and reduces the likelihood of actual revenues falling short of budget estimates during the year.

Staff will also continuously explore opportunities to take advantage of alternative funding sources and revenue streams to help offset the costs of providing Fire & EMS services, and to reduce OFD's reliance on the tax levy.

The Department will develop a fee schedule that determines the appropriate level of fees to charge for services which are provided for the benefit of only certain individuals. This fee schedule is designed to estimate the rates that need to be charged by the Department in order to cover the cost of the services provided. Such factors will consider State Statutes, comparability with other jurisdictions, affordability and where applicable, SOFD's calculated overhead model.

## **POLICY STATEMENT 4 EXPENDITURES**

The SOFD will administer expenditures in an efficient and cost-effective manner in order to provide both residents and taxpayers with delivery of the highest quality public services within the resources available.

### **Process Overview:**

As part of the budget process, the SOFD Board and staff will continually evaluate the service needs of the community and the methods of providing those services in a most efficient and cost-effective manner.

Unless an exception is made by the SOFD Board, the SOFD's operating budget will not use one-time revenues to support ongoing expenditures.

The SOFD will maintain expenditure categories according to applicable State Statutes and administrative regulations.

As part of the annual capital planning process, the SOFD Board and staff will work to develop a comprehensive plan to effectively maintain the SOFD's capital assets and infrastructure at sufficient levels to meet ongoing service requirements, as well as to minimize future maintenance and replacement costs. Capital expenditures shall meet the requirements of Generally Accepted Accounting Principles (GAAP), and any necessary change orders related to an approved capital expense or project exceeding \$25,000 shall be subject to Board approval.

On an ongoing basis, staff will work to minimize the cost of purchasing materials and providing services while still maintaining quality and performance. This is accomplished through compliance with the SOFD's purchasing policy, including, but not limited to, the use of competitive bidding for major contracts and purchases, obtaining multiple price quotes and estimates for other non-routine purchases, and through cooperative arrangements with other governmental agencies for the procurement or delivery of various goods and services.

## **POLICY STATEMENT 5 CAPITAL PLANNING**

To assist in facilitating long-term planning for capital expenditures and resources that will be necessary to meet the future needs of the Department, the SOFD Board shall review and adopt a comprehensive five-year capital plan on an annual basis.

The Board may recommend a proposed Capital Improvement Budget to the governing bodies of the two municipalities at any time. The Board may only recommend a Capital Improvement Budget with the approval of at least four members of the Board. The proposed Capital Improvement Budget shall contain an explanation of the Board's reasons for recommending the Capital Improvement Budget. No expenditures shall be made or contracted for by the Board or any employee with respect to any Capital Improvement Expenditure in the proposed Capital Improvement Budget until approved by the governing bodies of the municipalities. After such approval, the Board is authorized to enter into contracts and make expenditures deemed necessary by the Board for the Capital Improvement Expenses described in the Capital Improvement Budget as and when determined by the Board (unless otherwise specified in the approval of the governing bodies of the municipalities), and in amounts not in excess of the approved Capital Improvement Budget.

### **Process Overview:**

Prior to consideration of the annual operating budget, the SOFD Board will be presented with a capital improvement plan for all pending or proposed capital projects that may be needed within the next five years. This plan is called the Five-Year Capital Improvement Plan (CIP).

Under the direction of the SOFD Board proposed projects will be submitted by Fire Chief for consideration and inclusion in the Five-Year CIP. This plan will include a detailed description of each project, a timeframe of when the project needs to be completed, an estimate of the project's cost and useful life, and any information on proposed funding sources other than property tax revenues.

The Department will identify the estimated costs and potential funding sources for each proposed capital project before it is submitted to the SOFD Board for approval. The Department will use intergovernmental assistance and other outside funding sources whenever possible. Based on this information, staff and the SOFD Board will then prioritize projects and align funding requirements for approved projects.

The approved projects and funding levels for the following year will then be transferred from the CIP to the capital budget for the next fiscal year unless further modified by the SOFD Board as part of the annual budget development process. In addition to new annual capital budget funding, any remaining balance at the end of the year within each project account will automatically be carried forward into the next fiscal year.



**POLICY STATEMENT 6**  
**LONG-TERM FINANCIAL PLANNING**

To assist the SOFD Board in developing strategies to achieve the long-term financial goals of the Department, the SOFD Board shall evaluate on an annual basis, a five-year Financial Plan forecasting the financial resources that will be required to support the future operations of the SOFD.

**Process Overview:**

Each year, in advance of the annual budget development process, Department staff shall prepare a Five-Year Financial Forecast of projected revenues and expenditures needed to support the planned future operations of the SOFD.

This forecast will include all known and planned activities included in the Capital Improvement Plan, as well as forecasts for future debt costs, operating costs, and non-tax levy revenue estimates.

## **POLICY STATEMENT 7 DEBT MANAGEMENT**

The SOFD acknowledges that certain costs incurred on an annual basis reflect an investment in the future of the Department. These types of costs include development, acquisition, and replacement of assets that will be used by the residents of the City of Mequon and Village of Thiensville over a long period of time. Financing these long-term assets is often appropriately accomplished through the issuance of long-term debt instruments, which is most likely to occur through either the City's or the Village's borrowing authority.

It is the responsibility of the SOFD Board and Department staff to monitor the financial health of the Department. A significant portion of the SOFD's financial health is determined by its ability to manage debt. Further, it is the responsibility of the Fire Chief and SOFD Board to regularly monitor the SOFD's outstanding debt and to recommend issuance, replacement and retirement of outstanding debt.

### **Process Overview:**

#### **1. Financing Considerations**

- A. The Department will confine long-term borrowing to capital improvements, or capital equipment or other long-term projects which cannot and, appropriately should not, be financed from current revenues.
- B. The Department will not use long-term debt to finance current operations, nor will long-term debt be used to finance the cost of short-lived (less than five years) depreciable assets.
- C. In general, the final maturity of bonds and notes issued by the Department should not exceed the expected useful life of the underlying project for which it is being issued.
- D. The Department will retire bond anticipation debt within six (6) months after completion of the underlying project or upon the next general debt issuance.

#### **2. Debt Limits**

- A. The Department will keep the maturity of all outstanding general obligation bonds at or below 20 years, unless such a limit would otherwise inhibit consideration and/or completion of a project.

## **POLICY STATEMENT 8 PURCHASING POLICY**

The SOFD, as a local government entity, must ensure that the expenditure of funds occurs in a manner that balances the desire for lowest cost to the Department with an expectation of a quality services. The purpose of this policy is to provide guidance and procedures to be followed for the procurement of goods and services within the Department. The controls and procedures set forth are intended to provide reasonable assurance that the lowest cost and highest quality goods or services are obtained, while balancing the need for flexibility in Department operations. This policy covers items that have been included in the annual Department budget as approved by the SOFD Board. Any items in excess of \$25,000 that are not included in the budget require specific approval by the SOFD Board, prior to purchase.

### **Process Overview:**

#### **1. General**

- A. Procurements consist of the following three major categories:
  - i. Goods: Tangible Items (e.g., equipment, supplies, vehicles, etc.)
  - ii. Services: Items requiring outside labor, maintenance agreements, etc.
  - iii. Facility maintenance, building/facility construction, other improvements, etc.
- B. The Fire Chief or his/her designee(s) have responsibility for procurement, which includes the delegated authority to be a purchasing agent of the Department.
- C. When an emergency will not permit the use of the competitive processes outlined in this policy, the Fire Chief and the Mequon City Administrator may determine the procurement methodology most appropriate to the situation. Appropriate documentation of the basis for the emergency should be maintained. In a non-emergency situation that does not allow time to obtain three bids, the SOFD Board will be notified as soon as possible, and staff will address the purchase in a memorandum to the Board. Any emergency or non-emergency purchase in excess of the threshold requiring Board approval will be brought to the SOFD Board for ratification at its next meeting.
- D. In situations of extreme price volatility, the Fire Chief or his/her designee(s) may approve a purchase and then submit the requisition for approval *ex post facto*. Appropriate documentation of vendors solicited for bids shall be maintained.

#### **2. Purchase of Goods**

- A. Guidelines for Approval Authority of Purchases:

- i. Under \$5,000: The Fire Chief or his/her designee(s) must approve prior to purchase. It is recommended that competitive quotes be obtained, but specific documentation is not required.
    - ii. \$5,000 to \$24,999: Fire Chief approval is required; competitive quotes must be documented via a bid sheet or similar. The purchasing requisition will be reviewed and approved by the Mequon City Administrator prior to purchase.
    - iii. \$25,000 or More: Competitive bids or proposals are required; must submit to the SOFD Board for approval, prior to purchase.
  - B. Unless there is only one qualified source, bids or quotes should be obtained from at least three vendors.
  - C. In general, the lowest responsible bid should be accepted for procurement. Awards shall be made only to responsible vendors that possess the potential ability to perform successfully under the terms and conditions of the proposed procurement.
  - D. Sole source purchases are allowed in the following circumstances:
    - i. The item or service is only available from a single source.
    - ii. After competitive procurement solicitations, competition is determined to be inadequate.
    - iii. The purchase is from another governmental body, subject to market verification of the proposed pricing; or
    - iv. The item is being purchased through a cooperative purchasing arrangement such as the State bid list, or State of Wisconsin VendorNet.
- 3. Contracts for Services
  - A. The Department's Attorney should be consulted on the need for legal review of any proposed purchasing or procurement contracts.
  - B. Where applicable, a competitive process for selection of vendors for contracts for services must be used.
  - C. Contracts for services that are not specifically identified in the budget shall be presented to the SOFD Board for review and approval, prior to signing.
  - D. The following approval thresholds (after applicable legal review) are to be used:
    - i. Under \$5,000: Fire Chief
    - ii. \$5,000 - \$24,999: Fire Chief and Mequon City Administrator
    - iii. \$25,000 or More: Fire Chief, Mequon City Administrator and SOFD Board
- 4. The Board President and Fire Chief shall sign contracts on behalf of the Department. Prior to signing any service contract, regardless of size, the Board President may refer the contract to the SOFD Board for review and approval. Unless otherwise required, general

authority to enter into contracts within the constraints of this policy is delegated to the Board President and Fire Chief and may be changed from time to time via resolution adopted by the Board. No contracts will be processed without documentation that the approval process has been followed and appropriate reviews completed.

- A. Unless approved by the SOFD Board, automatic renewals for contracted services are not otherwise permitted.

## **POLICY STATEMENT 9 CREDIT CARD USE**

The purpose of this policy is to provide guidance for the use of credit cards, including credit limits, authority and standards of prudence. The policy is intended to be broad enough to allow the employee to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard SOFD's assets.

### **Process Overview:**

1. The use of credit cards is based upon the fact that there are exceptions in which convenience and/or timing may be a concern, requiring a change from normal purchasing procedures.
2. Purchases by credit card may be appropriate on a limited basis, and limited to specific individuals within the Department.
3. Department credit cards are not allowed for personal use. In the event an employee uses a credit card either accidentally or intentionally for personal use, the employee shall reimburse the Department immediately. Credit card privileges are subject to revocation if personal use becomes an issue.
4. Credit cards must be kept in a secure location by the card holder.
5. Employees eligible to be a card holder include the Fire Chief, Deputy Fire Chief and any other management staff as approved by the Fire Chief.
6. Use of credit cards is restricted to:
  - A. Contingency situations involving short timing notices as to when funds are needed for a purchase, whereby the situation results in the inability to give advance notice of a need for funds.
  - B. Miscellaneous purchases from vendors who do not provide the Department with a line of credit in which it is difficult to know what expenses will be incurred.
  - C. Occasional online Department purchases.
7. Credit card use is permitted for attending training & conference events, whereupon it may be more efficient to do so rather than requesting an advance.
8. The monthly cycle credit limit will be \$15,000 for the Fire Chief and \$5,000 for all other individual card holders. The Fire Chief may approve an increase to the monthly credit limit, on an as-needed basis.

- A. Itemized sales receipts associated with each credit card purchase must be retained by the card holder and provided monthly to the Fire Chief for review and approval, along with the monthly credit card bill attached to the monthly statement for payment processing.
- B. A brief explanation as to what the charge was for should be noted on each sales receipt. This is necessary information in order to process a credit card statement for payment.
- C. The card holder shall surrender the card to the Fire Chief upon separation of employment from the Department.

**POLICY STATEMENT 10**  
**PUBLIC SURPLUS PROPERTY**

The SOFD has adopted this policy for the purpose of establishing guidelines for the disposition of public surplus property. Surplus Property is defined as property (individual or in the aggregate) owned by the Fire Department that has become obsolete, been replaced, or has generally outlived its useful service to the Fire Department. The objective of this policy is to maximize the value received upon disposal of surplus property of the Department.

**Process Overview:**

1. Surplus property with an estimated value of more than \$1,000:
  - A. Public sale (external auction, set price, or negotiated price). The Fire Chief may approve the disposal of surplus property with a value estimated to be in excess of \$1,000 through external public auction, public posting at a set price, or through negotiated sale. The SOFD Board will be notified of the sale of any surplus property with a value in excess of \$1,000.
  - B. Trade-in. For certain types of surplus property, it may be customary for a vendor to offer a trade-in discount or credit for the surplus property when purchasing new or replacement equipment. Trade-ins are allowable when the purchase price of the new equipment is at the lowest competitive purchase price, and the value of the discount or credit for the surplus property meets or exceeds the estimated fair market sale value. This protocol may be utilized if:
    - i. the discount from trade-in is stated clearly within the purchase agreement; and
    - ii. the trade-in and subsequent purchase have been provided for within the budget.
2. Surplus property with an estimated value of more than \$250 but less than \$1,000:
  - A. The Fire Chief or his/her designee(s) may authorize the dismantling or scrapping of equipment for salvage value if such value exists. This decision shall be made having considered the possibility of obtaining a fair market value by other means.
3. Surplus property with an estimated value of less than \$250
  - A. Certain surplus property may have no readily convertible value and may be discarded under the following conditions:
    - iii. If the property is valued under \$250, it may be summarily disposed of, if it is not possible or practical to bring such to public sale, trade-in, or



dismantle/scrap. This distinction will be made by the Fire Chief, or his/her designee(s).

4. No surplus property shall be sold or given to any employee, employee's family member, or an employee's designee.
5. The proceeds from the sale of Department assets shall be deposited in official Department bank or capital project accounts.
6. Department employees are prohibited from accepting cash payments in exchange for the sale of Department assets.
7. If the property cannot be sold, it may be donated to another government agency or not-for-profit entity. A record shall be created of the date, description, condition of the asset and recipient and forwarded to the Fire Chief or his/her designee(s).
8. If the property cannot be sold or donated, it shall be recycled in an environmentally friendly manner, whenever possible.

## **POLICY STATEMENT 11 EMPLOYEE TRAVEL**

It is the SOFD's policy to reimburse employees for ordinary, necessary, and reasonable travel expenses that are related to the transaction of Department business. Employees are responsible for complying with this policy. Employees submitting expenses that are not in compliance with this policy risk delayed, partial or forfeited reimbursement.

### **Process Overview**

1. When employees of the Department are required to travel on official business, the Department will pay reasonable amounts for transportation, meals, lodging, and miscellaneous approved expenses. An employee is expected to show good judgment when incurring travel expenses. No reimbursements will be made for attendance at events sponsored by, or affiliated with, political parties.
2. The Fire Chief must authorize all out-of-town travel which require overnight accommodations.
3. Transportation:
  - A. Employees required to travel by air should travel economy class whenever available.
  - B. An employee must obtain permission from the Fire Chief or his/her designee(s) prior to using Department vehicles. Gasoline must be obtained at the SOFD's pumps prior to departure.
  - C. When an employee is authorized by the Fire Chief or his/her designee(s) to use a personal vehicle for official travel outside of the Department, the employee shall be compensated at the current mileage rate as established by the U.S. Internal Revenue Service (IRS).
  - D. An employee of the Department may use a rental car when authorized by the Fire Chief or his/her designee(s). The rental car should be used for official business only. The car shall be rented under the employee's name when reserving the vehicle. The employee shall use a Department credit card or account with the rental company. The employee shall not purchase the insurance offered by the rental car company, as SOFD's insurance program provides coverage for hired/rented vehicles.
4. Employee lodging expenses shall be covered while traveling on Department business. Employees are expected to make lodging reservations in advance whenever possible and to take other actions to ensure that lodging is secured at the most reasonable rate possible.

## 5. Meals

- A. Employees traveling on Department business shall be reimbursed for meals if the employee pays, in accordance with per diem limits as specified in the Mequon Municipal Code. The Department will not pay for alcoholic beverages. Claims for meals shall represent actual, reasonable and necessary expenses. Tips are limited to 18%.
  - B. When an employee is entitled to two or more consecutive meals in a day (this includes meals included in a registration fee, a lodging rate or served aboard plane), he/she may exceed the maximum on one or more meal claims as desired, as long as the total allowable for the consecutive meals per day is not exceeded. Each day is considered separately for application of this policy. If meal maximums are not reached on one day, the savings do not accrue and cannot be applied to expenses claimed on another day or for other costs such as lodging.
  - C. The Fire Chief or his/her designee(s) shall determine what meals will be reimbursed based upon the times and dates of travel. Where conference registration or training tuition fees include one or more meals, only those meals not covered by such fees shall be reimbursed by the Department. Where a conference offers meals in conjunction with the conference program but does not include those meals in the registration fee, the Department shall pay for those meals selected by the employee.
6. Miscellaneous expenses, such as parking fees, taxi/ride fares, fax transmissions, and other bona fide miscellaneous expenses, shall be reimbursed upon presentation of receipts or other suitable documentation. Tips for meals, baggage handling, transportation etc., will be reimbursed up to a maximum of 18% of the bill.
  7. It is the responsibility of the employee incurring the expense to obtain the necessary approval from the Fire Chief or his/her designee(s) before making travel arrangements. The Department will pay registration, lodging and transportation (air, train, bus, rental car) to the employee or vendor, provided a supervisor-approved Travel & Training Expense Report with appropriate documentation is presented to the Fire Chief within ten days of the employee's return.
  8. Documentation: Claims for reimbursement must be accompanied by an original vendor receipt or bank credit card slip showing the amount paid and items/services received.
  9. Reimbursement will not be paid for expenses incurred by spouses, guests or other persons not authorized to receive reimbursement under this policy or state regulations. One person may claim reimbursement for several employees or officials dining together, if all the names are listed on the reimbursement claim.

## **POLICY STATEMENT 12 DONATIONS**

### **General**

SOFD's Donation Policy provides those in the community with the opportunity to give through memorials, gifts and donations. This policy is not intended to compete with other non-profits or friend groups with which the Department works, but rather to provide those that specifically are interested in Department projects the opportunity to give.

Any donation to the Department of land, a vehicle, apparatus or other property shall require the approval of the Board prior to acceptance by the Department, if such a donation is from an organization or one or more residents of a municipality, and the donor specifies municipality's obligation to the Department as follows:

1. If the item donated was scheduled to be purchased pursuant to the Operating Budget, the fair market value of the donation as reasonably determined by the Board shall be credited against the municipality's Operating Budget obligations; or
2. The municipality shall receive a credit of 1/10 of the fair market value of the item, as reasonably determined by the Board, for each of the 10 years following the donation.

### **Process Overview:**

Prior to accepting any donation, the Department and its employees must consider:

1. Is it consistent with the aesthetic and functional integrity of the SOFD's existing and proposed facilities and goals?
2. Whether a donation causes unbudgeted expenditures or a significant ongoing expenditure responsibility for the Department, and if there are funds to support these donations.
3. Whether it creates liability for the Department regarding the health and safety of facility users.
4. That donations do not create conflict of interest or special treatment concerns, or other ethical issues related to a Board member or Department employee.

The Department reserves the right to forgo any donation.

The Department must have statutory authority to use/spend the donation for the purpose(s) that it is intended for.

All items purchased or accepted by donation will receive standard levels of maintenance by the Department, or as otherwise documented in an agreement during the donation's normal life

expectancy. Any donations received by the Department will be acknowledged in writing through a receipt letter that includes SOFD's Federal ID #, along with the monetary amount (or equivalent) of the donation.

Items that are damaged will be repaired or replaced as feasible, but the Department does not guarantee replacement of any items damaged beyond repair, or where the cost of doing so is not considered cost effective.

Any solicitation of gifts on behalf of the Department for public purposes must comply with the general conditions listed below:

1. An elected official, appointed local official or employee shall not solicit any donation to the Department under circumstances that in fact or in appearance:
  - A. Rewards, influences, or tends to impair the judgement of the performance of the official's or employee's official duties; or
  - B. Provides special consideration, treatment, advantage, privilege or exemption for, or coerces a potential donor.
2. Inspectors or other employees with enforcement powers should not solicit gifts from any source. Exceptions to this rule would be an annual community-building or capital project campaign (e.g., purchase of a new ambulance, construction of a new fire station, etc.).
3. Employees with discretionary authority over any permit or application should not solicit donations.
4. Donations should not be solicited from any of the following interested entities:
  - A. Current Department vendors and contractors.
  - B. Vendors, contractors, entities or individuals who have had contracts or submitted proposals or bids within the last 12 months.
  - C. Vendors, contractors, entities or individuals reasonably anticipated to have business with the Department within the next 3 months.
  - D. Persons or entities actively promoting or opposing Department legislation.
  - E. Persons or entities with matters pending before the SOFD Board.

## **POLICY STATEMENT 13**

### **PAYMENT CARD ACCEPTANCE**

The Department accepts payment for services in the form of cash, check, and credit/debit card. Card payments must be processed in compliance with Payment Card Industry Data Security Standard (PCI DSS) requirements, which are intended to limit exposure and/or theft of personal cardholder information.

This document identifies the requirements that SOFD will follow in accepting payments by card. There is only one method for processing transactions: online. Card payments will not be accepted over-the-phone as they pose the greatest risk for fraud. However, if the card provider offers Interactive Voice Response (IVR), an automated way to accept payments securely over the phone, this will be allowable per the SOFD's financial policy.

#### **1. Costs Associated with Accepting Payment by Card**

There are one-time, recurring, and transactional fees associated with accepting card payments. The one-time fee for the terminal(s) or card-reader devices as well as the recurring maintenance fees on those terminals will be absorbed by the Department. Additionally, the recurring annual fee to integrate with different software programs outside of SOFD's ERP, if applicable, will be assumed by the Department. All transactional card fees will be passed to the customer as a convenience fee.

#### **2. Daily Recording of Card Transactions and Reconciliations**

All funds received via card will be processed and deposited to a Department-designated bank account. All card transactions must be settled daily and recorded timely in SOFD's financial records. Card bank deposit activity is monitored and reconciled to the merchant statement and financial system monthly by the administrative assistant, to ensure that all card activity is being recorded.

#### **3. Refunding and Disputes of Card Payment**

When an item or service is purchased using a card, and a refund is necessary, the refund must be credited to the same card account from which the purchase was made. When a customer disputes the validity of a bank card transaction, a chargeback to SOFD's bank account is automatically generated by SOFD's merchant services provider.

#### **4. Protecting and Securing Customers' Personal Information**

All personal card information must be protected and should not be stored. Failure to maintain strict controls over this information could result in a breach of the data, large fines or penalties, and the inability to continue to process card transactions. Personal card data should never be written down or moved from the Department receiving this data. Cardholder information should never be sent or requested over-the-phone, or via email, fax, or instant messaging.

**5. Possible Lost or Stolen Card Data**

Due to the Department not storing card information and not accepting card payments over the phone, there should be minimal exposure.

**6. PCI Compliance**

The PCI DSS Program is a mandated set of security standards that were created by the major credit card companies to offer merchants and service providers with a complete, unified approach to safeguarding cardholder data.

The PCI DSS requirements apply to all payment card network members, merchants, and service providers that store, process, or transmit cardholder data. The requirements apply to all methods of card processing. As SOFD accepts card payments, it is responsible for adhering to all twelve standards in the PCI-DSS, as follows:

- A. Install and maintain a firewall configuration to protect cardholder data.
- B. Do not use vendor-supplied defaults for system passwords and other security parameters.
- C. Protect stored cardholder data.
- D. Encrypt transmission of cardholder data across open, public networks.
- E. Use and regularly update anti-virus software.
- F. Develop and maintain secure systems and applications.
- G. Restrict access to cardholder data by business need-to-know.
- H. Assign a unique ID to each person with computer access.
- I. Restrict physical access to cardholder data.
- J. Track and monitor all access to network resources and cardholder data.
- K. Regularly test security systems and processes.
- L. Maintain a policy that addresses information security.

**7. Maintain Procedures that Addresses Information Security**

The SOFD's card processor must maintain compliance with PCI DSS requirements. By partnering with a compliant third party, the SOFD's risk exposure is minimized; however, it is not eliminated. Also, by not storing card information, not writing down card information, and not accepting card payments over the phone, exposure is further minimized. Each employee that accepts payment via card must acknowledge card processing procedures annually.

**8. Restrict Access to Cardholder Data**

Access to payment card terminals is limited to only authorized employees. The physical location of payment card terminals should be protected, monitored, and secured. Only authorized employees will have access to the merchant accounts and payment card terminal settlement processes.