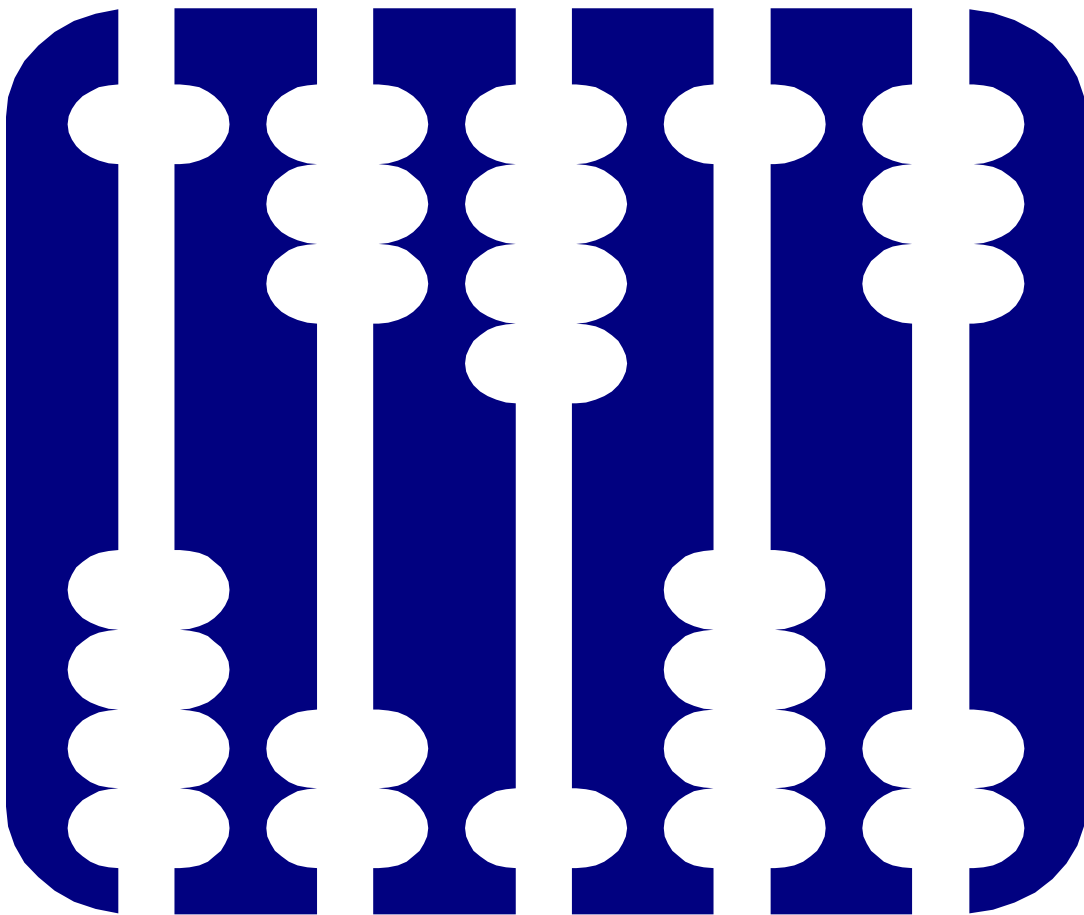


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# Financial Management Manual



city of san luis obispo

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# FINANCIAL MANAGEMENT MANUAL

A comprehensive guide to the conduct  
of the City's financial affairs

*Prepared by the Department of Finance & Information Technology*



city of san luis obispo

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# Financial Management Manual

## PREFACE

This manual is distributed to key individuals throughout the organization who are responsible for managing the financial operations of the City. As indicated by its title, the purpose of this document is to provide a single, up-to-date reference source of the major policies and procedures that guide the administration of the City's financial affairs. The following is a brief overview of the contents of this manual.

### **Section 100** **Introduction**

Overviews the purpose and organization of the Financial Management Manual, including procedures for updating and distributing the manual, internal control concepts, role of fiscal officers and a summary of other key policy documents.

### **Section 200** **Purchasing Policies and Procedures**

Comprehensively discusses the City's purchasing policies and procedures including ethics, objectives, competitive bidding requirements, specifications, standards, and purchasing procedures for supplies, equipment, operating & maintenance services, consultants, and construction projects.

### **Section 300** **Travel Guidelines**

Includes the travel guidelines approved by the Council in 2003 and the current mileage reimbursement rate for use of personal vehicles on City business.

### **Section 400** **Fixed Assets and Inventory Management**

Outlines policies and procedures for the financial management of the City's fixed assets and inventory items including vehicles, real property, infrastructure and disposal of surplus property.

### **Section 500** **Budget Policies and Procedures**

Discusses all of the City's key policies regarding budget preparation and execution such as the Financial Plan preparation process, budget amendment procedures, reappropriation policies and budget monitoring procedures.

### **Section 600** **Accounting Policies and Procedures**

Summarizes key accounting policies and procedures such as financial reporting, payroll, payment approval authority, disaster accounting procedures and security deposits.

### **Section 700** **Administrative Policies and Procedures**

Includes general administrative policies and procedures that affect the City's financial operations such as City Manager Report preparation, grant management and donation policies.

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## **Section 101**

### **INTRODUCTION**

The purpose of this manual is to provide a comprehensive, up-to-date procedural guide on the conduct of the City's financial affairs. Although the goal is to provide a “one-stop” reference tool for the City's financial policies and procedures, references will sometimes be made to major free-standing policy documents rather than restating or reproducing them in this manual. However, to the extent possible, this approach has been minimized, and in many cases documents that are “free-standing” such as the Fleet Management Program and Travel Guidelines have been directly incorporated into the manual.

If it is to meet its goal, this manual should be easy to read and provide useful information and solutions to an extremely broad range of financial subjects. It must also be up-to-date and easy to access. Accordingly, it has been prepared electronically in a “PDF” format and placed on the City’s Intranet in order to accommodate the changes that will occur over time. As discussed in Section 120, notification about updates will be sent-out via email.

As described in the Preface, this manual is divided into seven Sections:

- Introduction (100)
- Purchasing Policies and Procedures (200)
- Travel Guidelines (300)
- Fixed Assets and Inventory Management (400)
- Budget Policies and Procedures (500)
- Accounting Policies and Procedures (600)
- Administrative Policies and Procedures (700)

Each of these sections begins with an overview that further describes its purpose and organization. In summary, we want this manual to be easy to use and understand in keeping City staff up-to-date on changes in policies and procedures. If you have any suggestions for improvements that can be made to this manual, please feel free to contact the Department of Finance & Information Technology.

## Section 105

### SUMMARY OF MAJOR POLICY DOCUMENTS

Complementing the policies and procedures provided in this manual are the following major policy documents that also guide the management of the City's financial affairs. A brief narrative summary for each of these documents is provided in this section; the department or office responsible for maintaining the document and making it available for distribution is noted at the end of each description.

#### *Citywide Policy Documents*

- City Charter
- Municipal Code
- Council Policies and Procedures Manual
- Advisory Body Handbook
- City Code of Ethics
- General Plan
- Conceptual Physical Plan for the City's Center
- Facilities Master Plan: 1988-2010
- Financial Plan and Budget

#### *Utilities*

- Urban Water Management Plan
- Wastewater Management Plan

#### *Transportation*

- Short Range Transit Plan
- Parking and Downtown Access Plan
- Pavement Management Plan
- Bicycle Transportation Plan
- Flood Management Policy

#### *Administrative*

- Property Management Manual
- Public Art Policy and Manual
- Goals and Objectives Reporting System

- Manual for Preparing Council Agenda Reports

#### *Human Resource Management*

- Personnel Rules and Regulations
- Employer/Employee Relations Resolution
- Memorandums of Agreement
- Affirmative Action Plan/Sexual Harassment Avoidance Policy
- Drug Free Work Place Policy
- Risk Management Manual
- Safety/Loss Control Manual

#### *Financial & Information Technology*

- Revenue Management Manual
- General Fund Five Year Forecast
- Investment Management Plan
- Cost Allocation Plan
- Monthly and Quarterly Financial Reports
- Comprehensive Annual Financial Report (CAFR)
- Information Technology Strategic Plan
- Information Technology Policies and Procedures Manual



## CITYWIDE POLICY DOCUMENTS

**City Charter.** The City of San Luis Obispo is a Charter City. This means we have more “local home rule” authority than cities who incorporate under the “general laws” of the State of California. The City Charter is the City’s “Constitution,” and any changes must be approved by the voters. While the City was first incorporated in 1856, we did not become a Charter City until 1876. The City’s Charter has been amended several times since its adoption. It was last comprehensively updated in 1955, and the most recent amendments were approved by the voters in November 2002.

**Municipal Code.** The Municipal code contains all of the regulatory, penal, and administrative ordinances of the City of San Luis Obispo, codified according to the Government Code of the State of California. *City Clerk*

**City Council Policies and Procedures Manual.** This manual establishes guidelines for the conduct of Council meetings. It also sets forth other policies and procedures related to the Council such as appointments to advisory bodies, Council compensation, and Council/staff relationships. *City Clerk*

**Advisory Body Handbook.** The City values community participation in the decision-making process, and membership on a Council advisory body is one of many ways that residents can become involved in City government. The purpose of this handbook is to help advisory body members understand the fundamental aspects of their responsibilities by discussing how advisory bodies have been established and function within the City’s organization; summarizing the roles, relationships and responsibilities of each advisory body member; and setting forth “ground rules” for conducting meetings. *City Clerk*

**City Code of Ethics.** The purpose of this code is to establish and communicate City standards for ethical conduct. Containing examples, it addresses conflicts-of-interest (real and perceived), public confidence, acceptance of favors, use of confidential information, use of City facilities, contracts, outside employment, personal investments, and each individual employee's personal responsibility for ethical behavior. *Administration*

**General Plan.** A General Plan is the blueprint of a community's future addressing land use, transportation, housing, open space preservation, conservation of resources, public safety, and noise. In addition to these mandated topics, called *elements*, the City’s General Plan also addresses energy conservation, park and recreational facility development, water, and wastewater treatment facilities. *Community Development*

**Conceptual Physical Plan for the City’s Center.** The City's downtown business and shopping area is over 100 years old and is rich in historical, cultural, and social significance. This plan guides development and change in the central business district by providing design concepts and policies for this key area of the City. *Community Development*

**Financial Plan and Budget.** The City uses a two-year financial planning process in preparing its budget. The overall goal of the City's Financial Plan is to establish and maintain effective

## Summary of Major Policy Documents

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management of the City's fiscal resources. To accomplish this objective, the City uses a policy-driven, goal-oriented budgeting process. Accordingly, the Financial Plan identifies key financial policies, major goals, program objectives, and appropriates the resources necessary to accomplish them. *Finance & Information Technology*

**Facilities Master Plan: 1988-2010.** This report consolidates the findings of previous consultant and staff reports, census and economic data, field investigations, staff interviews and data from city-wide office workspace studies. The Master Plan examines potential solutions to existing and projected facility needs. *Administration*

## UTILITIES

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**Urban Water Management Plan.** This policy document provides a strategic plan for the continued development of the City's water resources and its treatment and delivery systems. *Utilities*

**Wastewater Management Plan.** Wastewater is another critical resource consideration for the City. Upgrades to the current wastewater treatment plant and other large capital requirements required to modernize the entire infrastructure will significantly influence financial planning for many years to come. Like the Water Management Plan, this document is a policy instrument that defines and analyzes the key wastewater issues facing the City and recommends solutions. *Utilities*

## TRANSPORTATION

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**Short Range Transit Plan.** This plan outlines five year goals and objectives for transit system operation and objectives. *Public Works*

**Parking and Downtown Access Plan.** This plan addresses parking issues throughout the City. However, these issues are primarily focused in the downtown where the City provides the highest level of parking management. The City wants to maintain an attractive and vibrant downtown. This will require that a broad range of transportation alternatives be available to those wishing access to the downtown. The plan defines how downtown parking demand will be met using a combination of parking demand reduction, parking management and parking expansion. It is consistent with the City's long-term vision for the downtown as set forth in the adopted Conceptual Physical Plan the City's Center. It is also consistent with the City's General Plan Circulation Element, and is supported the Short Range Transit and Bicycle Plans. *Public Works*

**Pavement Management Plan.** The City maintains over 100 miles of streets representing a significant community investment in infrastructure and rights-of-way. The plan's objectives are to establish design and maintenance standards, prioritize maintenance actions, schedule long term maintenance activities to obtain maximum pavement life, and protect the investment made in pavement systems. *Public Works*

## Summary of Major Policy Documents

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**Bicycle Transportation Plan.** This plan identifies projects and programs that encourage and enhance bicycling in San Luis Obispo. A key element of this plan is the recommended network of bikeways (on-street lanes and routes and off-street paths) that extend throughout the community and connect neighborhoods with activity centers. *Public Works*

**Flood Management Policy.** There are several natural waterways, feeder streams, and catch basins within the City which are critical drainage channels as well as sensitive resource areas. The objectives of this policy document include maintaining creeks in a natural state to the maximum extent feasible and preventing the loss of life and minimizing property damage from flooding. Additionally, the policy establishes design capabilities, development guidelines, flood management standards and priorities, and an action plan. *Public Works*

### ADMINISTRATIVE

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**Property Management Manual.** This document aims to maximize the productive use of the City's real property assets by defining property management activities, assigning responsibility for property management to the appropriate City departments, and establishing a process for developing and maintaining a comprehensive inventory and data base of the City's real property assets. *Administration*

**Public Art Policy and Manual.** Adopted in May of 1990, this policy encourages the creation and placement of public art throughout the community. Implementation components include "percent for art" and matching fund programs. *Administration*

**Goals & Objectives Reporting System.** The Financial Plan identifies major goals to be accomplished over its two-year timeframe. Formal reports are provided to the Council on a quarterly basis which report our progress in accomplishing these goals as well as the status of capital improvement plan projects and other key objectives. *Administration*

**Manual for Preparing Council Agenda Reports.** This document outlines the format, content, and procedures to be used in preparing and processing Council Agenda Reports. *Administration*

### HUMAN RESOURCE MANAGEMENT

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**Personnel Rules and Regulations.** Chapter 2.36 of the Municipal Code establishes the City's procedures for attracting and retaining qualified employees as well as assuring that appointments and promotions are based on fitness and merit. *Human Resources*

**Employer/Employee Relations.** Resolution No. 6620 provides procedures for the administration of employer/employee relations between the City and its employee organizations and for resolving disputes regarding wages, hours, and other terms and conditions of employment. *Human Resources*

**Memorandums of Agreement.** The City has entered into agreements (MOA's) with each of its employee units that govern terms and conditions of employment. *Human Resources*

## Summary of Major Policy Documents

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**Affirmative Action Plan.** The City is committed to providing equal opportunity in its hiring practices and ensuring that we have a work environment free from harassment. This document contains the City's policies and procedures designed to achieve these goals. *Human Resources*

**Drug-Free Workplace Policy.** It is the City's goal to maintain a safe, healthful, and productive work environment for all of our employees. This document sets forth our commitment to this goal and establishes policies and procedures designed to achieve it. *Human Resources*

**Risk Management Manual.** The City's goals, policies, and procedures regarding risk management activities are provided in this document. *Human Resources*

**Safety/Loss Control Manual.** The City's policies and procedures designed to prevent injuries to our employees, protect our property from damage, and ensure the safety of the public are provided in this document. *Human Resources*

## FINANCIAL

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**General Fund Five Year Fiscal Forecast.** The City begins each of its two-year Financial Plans with a detailed forecast of the General Fund's projected financial position for the next five years. This forecast is provided to the Council in conjunction with the goal-setting process. The forecast looks at trends for the past ten years in the consumer price index, population, revenues and expenditures. Based on these past trends as well as economic forecasts prepared for the state and region by the UCLA and UCSB, revenue forecasts prepared by the State Controller's Office, and other key assumptions prepared by the staff about likely revenue and expenditure factors that will affect the upcoming Financial Plan, the forecast provides an "order of magnitude" feel for the fiscal challenges likely to face the City in preparing the budget. *Finance & Information Technology*

**Investment Management Plan.** The purpose of this plan is to establish strategies, practices, and procedures to be used in administering the City's investment portfolio in accordance with the City's adopted Investment Policy. *Finance & Information Technology*

**Revenue Management Manual.** This manual is distributed to key individuals throughout the organization who are responsible for managing the revenue operations of the City. As indicated by its title, the purpose of this document is to provide a single, up-to-date reference source of the major policies and procedures that guide the administration of the City's revenues. Subject areas include revenue chart of accounts, revenue sources, cash management, accounts receivable, City fees, employee labor rates, and revenue management policies. *Finance & Information Technology*

**Cost Allocation Plan.** The cost allocation plan identifies the total cost of providing City services by allocating indirect costs such as accounting, personnel, legal, and facility usage to direct program cost areas. This information is used in setting City fees, reimbursing the General Fund for services provided to other funds, evaluating service delivery options, and recovering

## Summary of Major Policy Documents

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grant administration costs. The plan is updated every two years in conjunction with the Financial Plan. *Finance & Information Technology*

**Monthly and Quarterly Financial Reports.** In addition to providing up-to-date, on-line access to City financial information, the Department of Finance and Information Technology publishes interim financial statements on a monthly and quarterly basis. Monthly reports are distributed to the operating departments at a detailed level for ongoing monitoring and tracking of revenues and expenditures. Formal quarterly reports are prepared for distribution to a broader group of end users that summarize revenues, expenditures, and fund balance, and highlight key trends and issues. The purpose of these reports is to provide meaningful information on an ongoing basis regarding the City's financial position as well as emerging trends. *Finance & Information Technology*

**Comprehensive Annual Financial Report (CAFR).** The CAFR includes the City's audited general purpose financial statements as well as a comprehensive review of the City's financial operations and statistical information of general interest about the San Luis Obispo community. The City's commitment to the highest levels of financial reporting is evidenced by its receipt of the Certificate of Achievement for Excellence in Financial Reporting for all of its CAFR's issued since 1983-84. *Finance & Information Technology*

**Information Technology Master Plan.** Effectively using information technology is a key component of the City's overall strategy to improve productivity, customer service and public access to City information. This plan sets forth a strategy for acquiring and supporting information technology resources through 2005. *Finance & Information Technology*

**Information Technology Policies and Procedures Manual.** This manual sets forth the City's key policies and procedures regarding the use of the City's information technology (IT) resources. It includes "high level" policies set by the Council and City Manager (such as IT acquisition and support, use of email, Internet access and telephone use) as well as hardware and software standards set by the IT Steering Committee. *Finance & Information Technology*

## Section 115

# INTERNAL CONTROL CONCEPTS

Faithful stewardship of the public assets and resources that have been entrusted to us is the responsibility of all City employees. Assuring appropriate internal control over the use of these assets is one of the key tools available to us in meeting this responsibility. The following is an outline of internal control concepts.

### PURPOSE OF INTERNAL CONTROLS

The objective of internal control systems is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that *the cost of control should not exceed the benefits likely to be derived*, and that estimates and judgments are required to be made by management in evaluating these costs and benefits.

### INTERNAL CONTROLS ARE FOR THE EMPLOYEE

By establishing procedures that reduce the opportunity for employees to make unauthorized transactions, the City protects employees from unwarranted suspicions when unusual events or trends are identified.

### STANDARD INTERNAL CONTROLS

The three most common types of internal controls are using and documenting standard operating procedures; formalizing approval authorizations; and separating duties. None of these approaches in themselves can guarantee the appropriate use of City assets at all times, but they represent a reasonable effort to reduce the *opportunity* for misuse of City assets.

### SEPARATION OF DUTIES

Of the three approaches noted above, "separation of duties" is the most common internal control methodology by ensuring that no one individual has total control over an accounting transaction. For example, the responsibility for the purchasing/disbursement function would ideally be segregated between separate departments or individuals as follows:

- Purchasing (authorization to acquire)
- Receiving (approval to pay)
- Accounting (disbursement)

However, no system of internal control based on separation of duties will be successful if there is collusion between parties. Further, any employee with "larceny in their heart" will identify ways to "beat the system." However, this should not deter an organization from establishing *reasonable* controls to reduce the opportunity and temptation to misuse City assets.

## Section 120

### MANUAL UPDATING & DISTRIBUTION

The following procedures will be used in updating the Financial Management Manual.

- Email notification will be used for all manual additions and updates. It will be clearly titled “Financial Management Manual Update” and will reference the updated sections.
- The e-mail notification will be sent to everyone on the Distribution List. (See the following page)

# DISTRIBUTION LIST

## **Administration**

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City Manager  
Assistant City Manager  
Principal Administrative Analyst  
City Clerk

## **City Attorney**

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City Attorney  
Assistant City Attorney  
Legal Assistant

## **Human Resources**

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Director of Human Resources  
Risk Manager

## **Finance & Information Technology**

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Director of Finance & IT  
Finance Manager  
Information Technology Manager  
Revenue Supervisor  
Accounting Supervisor  
Administrative Analyst  
Audit Firm

## **Community Development**

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Director of Community Development  
Supervising Administrative Assistant

## **Parks & Recreation**

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Director of Parks & Recreation  
Recreation Managers (2)  
Recreation Supervisors (5)  
Supervising Administrative Assistant

## **Public Works**

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Director of Public Works  
Supervising Administrative Assistant  
Administrative Services Manager  
Administrative Analyst  
Deputy Public Works Director/City Engineer  
Deputy Public Works Director - Transportation  
Parking Services Manager  
Permit Technician  
Facilities Maintenance Supervisor  
Corporation Yard Administrative Assistants (2)  
Streets Maintenance Supervisor  
Public Works Maintenance Supervisor  
Fleet Maintenance Supervisor  
Parks Maintenance Supervisor  
Urban Forestry Technician/City Arborist  
GIS Supervisor

## **Utilities**

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Director of Utilities  
Senior Administrative Analyst  
Wastewater Division Manager  
Industrial Waste Coordinator  
Wastewater Reclamation Plant Supervisor  
Wastewater Collection Supervisor  
Water Division Manager  
Water Distribution Supervisor  
Water Supply Supervisor  
Water Treatment Plant Supervisor  
Utilities Conservation Coordinator  
Supervising Administrative Assistant

## **Police**

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Police Chief  
Senior Administrative Analyst

## **Fire**

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Fire Chief  
Administrative Analyst

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*As of November 24, 2009*



## Section 130

### DEPARTMENT FISCAL OFFICERS

Each Department Head has designated at least one employee to serve as their department's Fiscal Officer. The following is an outline of fiscal officer roles and responsibilities as agreed upon by the Departments Heads and Fiscal Officers in March of 1990:

#### Role of Fiscal Officers

- What should fiscal officers be doing?
- What are they doing?
- If there's a difference, what should we do about it?

#### General Consensus on Roles

- Departmental resource for budget *preparation*.
- Departmental resource for budget *execution*.
- Facilitator for departmental communications regarding the City's fiscal policies and operations.
- Team of departmental representatives with the responsibility for communicating financial concepts throughout the organization.
- Sounding board for the development and implementation of financial policies.
- Network for sharing Citywide what works (and what doesn't) in managing departmental fiscal affairs.
- Framework for establishing minimum levels of consistency, recognizing that departments are different, and accordingly, procedures may need to be different.
- Department resource for purchasing process (a key form of "budget execution").
- Liaison with Finance & Information Technology (IT) for departmental fiscal issues.

#### How to Best Perform These Roles and Responsibilities

##### *Clear Roles*

Ensure that the responsibilities of the following in coordinating departmental fiscal activities with the Finance & IT Department are clear.

- Department Heads
- Division Managers
- Preparers of Council Agenda/City Manager Reports
- Fiscal Officers

### *Clear Policies*

- Create *concise* policies and procedures compiled into one document which provide good *overall* guidance in conducting the City's financial affairs.
- Do not focus on detail procedures designed to accommodate every situation.
- Prepare a concise directory of key policy documents for further reference (such as property management, purchasing and fleet management).
- Help bridge the "learning curve" for new Fiscal Officers and Division Managers. Concise policy guides like above will be useful in making this bridge.
- Rules keep changing, and obviously, this makes the Fiscal Officer's job more difficult. Implicit (maybe explicit) recommendations: Stop changing the rules (or at least make sure that the benefit of the change is worth the effort required to communicate and implement it).

## LISTING OF DEPARTMENT FISCAL OFFICERS

Administration	Brigitte Elke, Principal Administrative Analyst
City Attorney	Claudia Prows, Legal Assistant
Human Resources	Greg Zocher, Risk Manager
Finance & Information Technology	Rachel Messner, Administrative Analyst
Community Development	Ryan Betz, Supervising Administrative Assistant
Parks & Recreation	Shannon Bates, Recreation Manager
Public Works	Melissa Mudgett, Administrative Analyst
Utilities	Kathe Bishop, Senior Administrative Analyst
Police	Melissa Ellsworth, Senior Administrative Analyst
Fire	Viv Dilts, Administrative Analyst

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*As of November 24, 2009*

## **Section 201**

# **INTRODUCTION**

## **OVERVIEW**

The purpose of this chapter is to guide staff members in purchasing goods and services on behalf of the City by establishing responsibilities and authorization levels, outlining statutory requirements, and setting forth the policies and procedures that govern purchasing activities.

These guidelines are not intended to address every issue, exception or contingency that may arise in the course of purchasing activities. Accordingly, the basic standard that should always prevail is to exercise good judgment in the use and stewardship of City resources.

## **PURCHASING SYSTEM OBJECTIVES**

Along with three other key policy documents—the City Charter, purchasing ordinance (Chapter 3.24 of the Municipal Code) and purchasing resolution—the policies and procedures set forth in this chapter form the City's purchasing system. This system has been developed in order to achieve the following objectives:

- Secure goods and services at the lowest cost possible commensurate with quality requirements.
- Establish authority, responsibility and accountability for purchasing activities conducted on behalf of the City.
- Ensure competition and impartiality in all purchasing transactions to the maximum extent possible.
- Standardize procedures where appropriate to ensure that organization-wide policies and goals are achieved.
- Maintain department responsibility, initiative and flexibility in evaluating, selecting and purchasing goods and services.
- Implement simple yet effective internal control procedures that appropriately support planning, maximize productive use of public funds and protect City assets from unauthorized use.
- Coordinate organization-wide purchasing activities for commonly used items.
- Communicate organization-wide purchasing goals, policies and procedures to departmental staff involved in purchasing activities.
- Decentralize decision-making to the maximum extent possible consistent with prudent review and internal control procedures.

### **PURCHASING AUTHORITY**

The City's purchasing ordinance delegates purchasing authority to the City Manager as well as any other representatives designated by her or him. Purchasing authority responsibilities include:

- Developing and prescribing such administrative policies, forms and files as may be reasonably necessary for the internal management and operation of City purchasing policies and procedures.
- Purchasing or contracting for supplies, equipment, services and construction projects as required by the operating departments in accordance with City purchasing policies and procedures.
- Negotiating and recommending execution of contracts.
- Procuring needed quality in goods and services at minimum expense.
- Ensuring as full and open competition as possible on all purchases.
- Consolidating department orders for similar items, ensuring quantity discount pricing whenever possible.
- Developing and maintaining department awareness of purchasing and pricing principles, marketing conditions and new products.
- Inspecting supplies and equipment delivered, as well as contractual services performed, to determine their conformance with the specifications set forth in orders and contracts; and, in this connection, having the authority to require chemical, physical or other tests of samples submitted with quotations or bids, or of delivery samplings, which may be necessary to determine quality and conformance with specifications.
- Establishing procedures for, and assigning duties to, staff engaged in receiving, storing and issuing purchased supplies, ensuring that supply levels are consistent with usage requirements.
- Facilitating the transfer of surplus or unused supplies and equipment among departments as needed.
- Selling or exchanging surplus supplies and equipment (subject to Charter Section 906), provided that they cannot reasonably be used by any department.

### **PURCHASING ORGANIZATION**

As provided in the purchasing ordinance, responsibility and accountability for purchasing activities has been delegated by the City Manager throughout the organization. As noted under purchasing system objectives, maintaining department responsibility, initiative and flexibility in

## Introduction

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purchasing activities and decentralizing decision-making to the maximum extent possible, are specific objectives of the City's purchasing system. However, this can only occur when organization-wide guidelines are clearly set forth and then followed.

General responsibilities for setting and implementing purchasing system policies and procedures are summarized in Exhibit 201-A.

### **PURCHASING SYSTEM OVERVIEW**

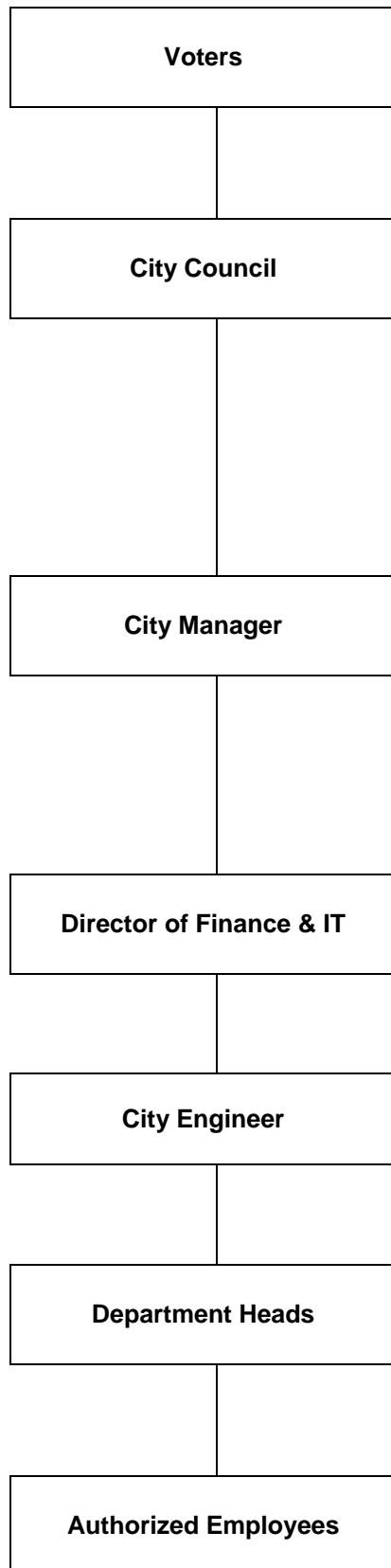
Regardless of the type of item or service being acquired, virtually every purchase transaction goes through seven distinct stages in varying degrees:

- Assessing and determining resource needs.
- Developing specifications.
- Soliciting and evaluating quotations, bids or proposals.
- Selecting the best proposal.
- Awarding the contract or purchase order and authorizing work to proceed.
- Receiving and inspecting goods or services to ensure they conform with specifications.
- Paying the vendor when contract terms have been met.

The type of purchase as well as its estimated cost determine the formality with which each stage is completed and documented. For this purpose, the City has identified two basic types of purchases:

- **General Purchases.** Contracts and purchases for supplies, equipment, operating & maintenance services and construction projects.
- **Consultant Services.** Professional advice provided to the City by specially trained and experienced individuals or firms regarding economic, financial, engineering, planning, architectural, environmental, legal or administrative matters.

Procedural categories, purchasing authority levels and features for each of these purchase types are summarized in Exhibit 201-B.



- Approve City Charter

**City Charter**

- Adopt purchasing ordinance.
- Adopt resolution setting purchasing guidelines.
- Approve *Invitation for Bid* (IFB) and *Request for Proposal* (RFP) documents for general purchases in excess of \$100,000 and consultant services in excess of \$25,000.
- Delegate authority to award contracts if they are within budget to the City Manager.
- Award contracts if they exceed the budget.

**Policies: Ordinances and Resolutions**

- Implement purchasing policies.
- Delegate purchasing authority.
- Award major contracts.
- Approve IFB's/RFP's for general purchases between \$25,000 and \$100,000; and between \$7,500 and \$25,000 for consultant services.

**Administrative Policies and Procedures**

- Develop and implement purchasing guidelines.
- Monitor and evaluate system performance.
- Set payment schedule.
- Approve purchase orders for general purchases (except "job order contract" task orders) between \$7,500 and \$25,000.
- Approve "job order contract" task orders for construction projects of \$25,000 or less.

**Organization-Wide Procedures**

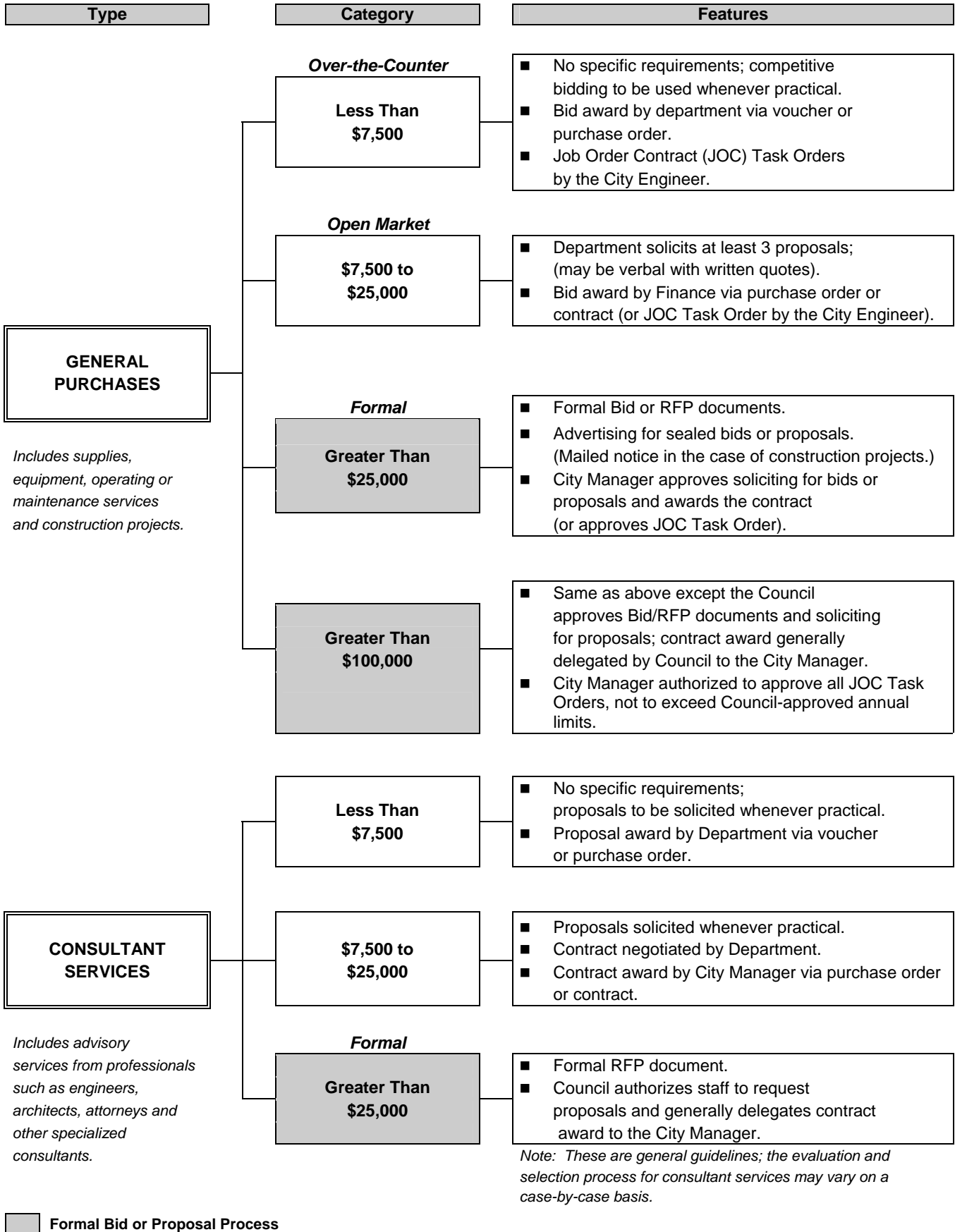
- Develop and implement departmental purchasing procedures.
- Delegate departmental purchasing authority.
- Approve major departmental purchases.

**Departmental Procedures**

- Purchase, receive and pay for goods and services in accordance with City and departmental guidelines.
- Maintain required purchasing records.
- Manage departmental inventories.

# Purchasing System Overview

Exhibit 201-B





## **Section 205**

# **ETHICAL STANDARDS OF CONDUCT**

## **OVERVIEW**

The purpose of this policy is to set forth the ethical standards of professional behavior expected of all officials and employees conducting purchasing activities on behalf of the City.

## **STANDARDS OF CONDUCT**

Every employee or official engaging in purchasing activities on behalf of the City is required to employ the following standards of conduct:

- Consider, first, the interests of the City in all transactions.
- Carry-out the established policies of the City.
- Buy without prejudice, seeking to obtain the maximum value for each expenditure of public funds.
- Subscribe to and work for honesty and truth in buying and selling, and to denounce all forms and manifestations of commercial bribery.
- Cooperate with all organizations and individuals engaged in activities designed to enhance the development of purchasing practices.
- Respect obligations to others, and require the same respect from others for their obligations.

## **PROHIBITED PRACTICES**

The following practices are specifically prohibited in performing purchasing activities on behalf of the City:

- Having a financial or personal beneficial interest (directly or indirectly) in any contract or purchase order for supplies, equipment, services, or projects furnished to the City.
- Accepting or receiving (directly or indirectly) from any person, firm, or corporation to whom any contract or purchase order may be awarded (by rebate, gift or otherwise) any money or anything of value, or any promise, obligation or contract for future reward or compensation. Inexpensive advertising items bearing the name of the firm—such as pens, pencils, paper weights or calendars—are not considered articles of value or gifts in relation to this policy.
- Using information available to officials and employees, solely because of their City position, for personal profit, gain or advantage.

## Ethical Standards of Conduct

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- Directly or indirectly furnishing services or information not available to all prospective bidders to any person or firm bidding on, or who may reasonably be expected to bid on, a contract with the City.
- Providing confidential information to persons to whom issuance of such information has not been authorized.
- Using a position or status in the City to solicit (directly or indirectly) business of any kind; or to purchase products at special discounts or upon special concessions for personal private use from any person or firm who sells or solicits sales to the City.
- Serving the interests of any organization (either as an officer, employee, member of the board of directors, or in any capacity for consideration) which transacts or attempts to transact business with the City for profit when such employee holds a City position of review or control—even though remote—over such business transactions.

## RESPONSIBILITY

- **Employees.** Each employee is responsible for following these practices. Violation of this policy may result in disciplinary action, termination of employment or criminal prosecution.
- **Department Heads.** Department heads are responsible for ensuring that all employees of their department who conduct purchasing activities possess a thorough understanding of these standards of ethical conduct and prohibited practices.

## Section 210

### CENTRALIZED PURCHASING

Purchasing responsibilities have generally been delegated to the operating departments. However, in selected circumstances, responsibilities for purchasing goods or services used on an organization-wide basis have been assigned by the City Manager to a single department in order to reduce administrative costs as well as to achieve “best pricing” through volume purchases. The following summarizes those areas where purchasing responsibilities have been centralized:

Purchase	Department
• Construction projects and related services	Public Works: Engineering
• Office systems furnishings	Public Works: Buildings
• Office supplies and paper	Finance & IT: Accounting
• Off-site copying	Finance & IT: Accounting
• Copiers	Finance & IT: Administration
• Computer workstations, file servers, printers and organization-wide software standards	Finance & IT: Information Technology
• Telephones	Finance & IT: Information Technology
• Radios and cell phones	Finance & IT: Information Technology
• City letterhead and envelopes	Community Development
• Project financings	Finance & IT: Revenue Management

In selected circumstances, assigned departments may delegate purchasing responsibilities on a case-by-case basis. For example, the Director of Public Works may delegate purchasing and project management responsibilities to Utilities in the case of specialized water or sewer plant projects.

## **Section 225**

# **CONSTRUCTION CONTRACT CHANGE ORDERS**

## **OVERVIEW**

When the City awards a construction contract, the need for contract change orders (CCO's) is not unusual. CCO's are required whenever the scope of work changes from that in the original contract or an unknown condition of the site requires a change in the scope of work. Usually a contingency amount is established when the project budget is finalized upon contract award to accommodate limited CCO's. The purpose of this policy is to establish limits of authority for approving construction project CCO's.

## **GOALS**

1. Ensure appropriate authority and accountability in the approval of change orders.
2. Minimize the time needed to approve a CCO in order to avoid project delays.
3. Establish a system under which the organizational level at which approval is given is commensurate with the size of CCO and size of project.
4. Eliminate the potential for approval of a CCO when contingency funds are insufficient.

## **POLICIES**

### **Conditions for Approval of CCO's by Staff**

1. Sufficient contingency funds are budgeted and available in order for the Public Works Director or City Manager (approved designees) to approve a CCO.
2. The nature of work in the CCO is not significantly different from that in the contract.
3. Authorization limits are based on an individual CCO amount, not the aggregate amount of all CCO's.
4. Authorization limits apply to CCO's for increases in contract amounts only.
5. When the aggregate amount of CCO's reaches 75% of the contingency, the awarding authority shall be informed of the status of the project and the sufficiency of funding to complete the project.
6. Work will not be broken up into multiple CCO's in order to circumvent this policy.
7. All CCO's must be in writing and approved by the appropriate contract parties consistent with the authorized limits established in this policy.

## **Construction Change Orders**

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8. A copy of each approved CCO will be transmitted promptly to the Finance Division.
9. The City Manager may grant approval of CCO's in excess of \$100,000 under the following circumstances (all three factors must be present):
  - a. Immediate approval of the CCO is necessary to avoid delay.
  - b. The CCO is an integral and mandatory component of the project.
  - c. The costs associated with delay of the project would be excessive.

The Project Manager is responsible for carrying out this policy.

10. The City Manager is also authorized to approve CCO's in excess of \$100,000 related to Job Order Contract Task Orders.

### **Authorization Limits**

- |  |                                     |
|--|-------------------------------------|
| 1. Public Works Director/Approved Designee | Not to exceed \$25,000              |
| 2. City Manager                            | Not to exceed \$100,000             |
| 3. City Council                            | Greater than contract or \$100,000* |

*\* See circumstances above where the City Manager may approve CCO's in excess of \$100,000.*

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*Originally Approved by the Council on August 3, 1993; Revised by the Council on April 15, 2003*

## Section 250

# STANDARD BID AND PROPOSAL DOCUMENTS

## OVERVIEW

The standard bid and proposal documents provided in this section have been developed for use in a broad range of purchasing situations: supplies, equipment, operation & maintenance services and consultant services. (Bid documents for construction projects have been specifically excluded, since all construction projects are generally managed by Public Works, and they are responsible for maintaining standard bid documents for construction projects.) Additionally, these standard specifications can be used for the more price sensitive Invitation for Bid process (IFB) as well as the Request for Proposal (RFP) process where criteria other than price may be significant factors in making the purchasing decision.

## GOALS

- Ensure consistency in the preparation of IFB/RFP packages.
- Assure that generally accepted terms and conditions are included in all IFB/RFP documents.
- Reduce the level of staff resources required to prepare and review IFB/RFP documents.

## USING THE STANDARD DOCUMENTS

**Accessing the Standard IFB/RFP Documents.** These boilerplate documents have been installed on the City's Intranet.

Because changes will undoubtedly be made to these documents over time, it is essential in ensuring consistency in the preparation of IFB and RFP documents that these "boilerplates" be used for each package, not a previous package that you may have used for a similar purchase. Finance is committed to ensuring that the City's standard package on the City's Intranet contains the latest version of these documents; however, this update effort will be wasted if the latest version is not used for each procurement.

**Contents.** As discussed in greater detail below, the City's standard IFB/RFP documents consist of the following nine elements:

- Notice inviting bids (requesting proposals)
- Table of contents
- Description of work
- General terms and conditions
- Special terms and conditions
- Agreement
- Insurance
- Proposal submittal form(s)
- Bidders list (prepared as part of the total package but not mailed to vendors)

Although these documents should generally be used exactly as formatted, there will be times when changes are appropriate. In these circumstances, departments should clearly highlight any deviations from our standard specifications when submitting them for review. (Better yet: coordinate your proposed changes with Human Resources (for insurance issues), Finance and the City Attorney's Office before submitting them—the review process will go even quicker!) One of the advantages of the standard documents is to reduce the amount of time required for preparation and administrative review; unless deviations are highlighted, reviewing staff are going to assume that departments have faithfully used the standard documents, and will not review them in detail.

### DESCRIPTION OF THE STANDARD DOCUMENTS

**Notice Inviting Bids (Requesting Proposals).** As reflected in the sample, the bias is towards making the information presented in the notice as concise as possible. The title “Notice Requesting Proposals” should be used whenever an RFP process is being used. As a “cover page” to the document, the City's logo is formatted directly into this document.

**Table of Contents.** It's always useful to number pages and have a reference as to what's in the package.

**Description of Work.** This is the “meat” of the package—what do you want to buy, what does it have to do, how should it perform? Section 205-B of this manual provides an overview of the factors that should be considered by departments in preparing specifications. The term “work” is used to reflect the broad range of purchases that can be made using these documents. If this will be an RFP for consultant services, this section should describe the tasks—or work—for which you are requesting proposals. The “work sample” provided in this package is the purchase of a tree stump grinder. While this provides some general idea of how to prepare “open specifications” for a commodity-type purchase, this section of the package by its very nature cannot be “standard.” But that's the purpose of using boilerplate documents: freeing departmental resources to focus on the important stuff—like what you want to buy—rather than the repetitive, mundane stuff that applies to every purchase.

**General Terms and Conditions.** This section includes conditions that should be addressed in every formal purchasing situation. They have been arranged into three basic groups:

- Proposal requirements
- Contract award and execution
- Contract performance

**Special Terms and Conditions.** Every purchasing situation will be different, and it is not reasonable to assume that “one size will fit all.” This section contains language for the most “common” special circumstances, organized into the following twelve areas:

- Invitation for bids
- Open contract period or estimated quantities

## Standard Bid and Proposal Documents

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- Use of brand names
- Performance standards
- Recycled products
- References
- Bidders security and performance bonds (rarely used for non-construction purchases)
- Request for proposals
- State cooperative purchasing program
- Ownership, delivery and presentation of written or graphic products
- Alternate proposals
- Bid specification limits (accuracy of specifications)

☛ **Note:** Make sure this section is renumbered correctly after your changes, and delete any inappropriate “subject” headings.

Departments are free to “mix and match” these components as appropriate: simply use the “delete” or “cut and paste” features of Word for those that don’t apply. Additionally, if you have other terms and conditions that you want to include not specifically addressed in general terms and conditions section—or the boilerplates already provided in this section—this is the place to put them.

**Agreement.** This standard agreement should be included in each IFB/RFP package so the contractor knows what we expect to execute if awarded the contract. You’ll notice it’s very short. This is possible because many of the terms and conditions that we might otherwise expect in an agreement have been incorporated into the standard IFB/RFP package. In using the agreement, the highlighted sections represent parts of the agreement that will have to be modified on a case-by-case basis.

If you are entering into a purchase agreement where you didn’t use the standard IFB/RFP package, the agreement will have to be expanded to include those areas of concerns normally addressed through the bid package. There is a boilerplate agreement in his case on the City Hall “Everyone” Drive” as follows:

File Folder: Financial Management Templates and Forms  
Sub-Folder: Agreements  
File Name: Agreement—No RFP or IFB



**Insurance.** This part provides the City's standard insurance requirements for the following kinds of purchases—pick the one that's right for your specific circumstances:

- Supplies and equipment—see note
- Operation and maintenance services
- Consultant services
- Environmental services (including consultants)

☛ **Note:** For supplies and equipment, if the vendor will be providing significant ongoing maintenance services after purchase (such as copiers), the insurance requirements for operation and maintenance services should be used.

Again, it is very important that you coordinate any proposed changes in these insurance requirements with Human Resources.

**Proposal Submittal Forms.** Well-designed and thought-out proposal submittal forms can be an extremely valuable tool in evaluating bids and proposals by ensuring that key information is presented in a similar fashion by all of the bidders. This is true even for RFP approaches: because it is a subjective process, the more you can standardize responses from bidders through submittal forms and questionnaires, the easier it will be to fairly compare and evaluate proposals. Three kinds of boilerplates are provided for proposal submittals:

- Proposal submittal summary
- References
- Statement of past contract disqualifications

Although references and a statement of past contract disqualifications may not be necessary for all purchases, some kind of submittal form should accompany all proposals. Like the “description of work” and “special terms and conditions” sections of the specifications package, the proposal submittal form will require modification depending on the specific purchase. The following six samples are provided:

- **Sample A.** This is the City's “basic” submittal form, and something like it should accompany all proposals even if additional submittals (like the one provided in Sample E) are also required.
- **Sample B.** This provides another example of a “basic submittal” form for multiple bid items.
- **Sample C.** Something like this sample proposal submittal form would be especially useful for an RFP package where you expect a large, primarily narrative submittal from the bidders. It also provides a sample format for alternative work programs.
- **Sample D.** This provides another example of a proposal submittal form as part of an RFP process for consultant type services. It also provides an example for a multi-year proposal.
- **Sample E.** In this sample, the bid form and the work description are combined in one form for simplicity. In this case, a brief description of the purchase should be provided in the “description of work” section, with a reference to the “proposal submittal form” section.

## Standard Bid and Proposal Documents

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However, as indicated above, a summary proposal form should also be submitted along with this form to document our standard proposer assurances.

- **Sample F.** This sample is for those limited circumstances—such as engineering, architectural and environmental services—where we will not be requesting price information as part of the initial proposal.

**Bidders List.** Although this is not a “formal” part of the IFB/RFP package, a listing of bidders should accompany the package as it is reviewed. This listing should *not* be mailed to vendors with the IFB/RFP package. However, it should be attached to Council agenda and City Manager reports when requesting authorization to invite bids or request proposals.

### PRE-RFP INTEREST LETTER

To help ensure a smooth proposal evaluation process, you may want to consider sending a pre-RFP interest letter to prospective proposers. This has three benefits:

- Provides proposers with an early “heads-up” on key dates like the pre-proposal conference, proposal closing and finalist interviews.
- Gives you an early idea of who is likely to be interested in proposing on your project and avoids sending large RFP packages to firms who are not interested.
- Ensures that you have good mailing address and contact name so valuable time isn’t lost on internal distribution of your RFP. This is especially true for larger firms.

A sample letter is provided on the City “Everyone” Drive as follows:

File Folder: Financial Management Templates and Forms

File Name: Pre-RFP Interest Letter

### SAVING YOUR IFB/RFP DOCUMENT

When saving your IFB/RFP package, be sure to rename the document; the template is “read only.”

## Section 255

# AMENDMENTS TO AGREEMENTS

After contract award—whether by voucher, purchase order or formal contract—amendments may be needed to reflect changes in the scope of goods or services to be provided. The following summarizes what is required to authorize and document contract changes.

### DOCUMENTING WORKSCOPE CHANGES

Attached is a sample “Amendment to Agreement” that can be used in approving contract changes. It is applicable for almost all types of purchase agreements (supplies, equipment, operation & maintenance services, consultant services) *except* construction contracts: as set forth in Section 225, separate procedures have been established for managing construction change orders. Amendments should be numbered.

This boilerplate document has been installed on the City Hall “Everyone” (I) Drive as follows:

File Folder: Financial Management Templates and Forms  
File Subfolder: Agreements  
File Name: Amendment to Agreement

#### E-Access to City Hall

Everyone in the City, regardless of location, has easy access to the City Hall “Everyone” Drive. Call Information Technology if you are located at another facility and you do not know how to do this.

### AUTHORIZING AGREEMENT CHANGES

#### Construction Contracts

Authorization levels for approving construction contract change orders are set forth in Section 225 of this manual.

#### Supplies, Equipment, Maintenance & Operation and Consultant Service Contracts

The specific authority for approving contract amendments is usually set forth in the agreement itself (Section 5 of our standard agreement format). As a general rule, contracts where the bid or Request for Proposal (RFP) documents were approved by the City Manager should be amended by the City Manager; and contracts where the bid or RFP documents were approved by the Council should be amended by the Council.

**General Policy.** Staff has the authority to amend agreements to the cumulative *contract* amount that they are otherwise authorized to award contracts. In those cases where the original contract was awarded by a higher purchasing authority, then they have the authority to amend those contacts by a cumulative *amendment* amount that they are otherwise authorized to award contracts.

**Budget Constraints.** In all cases, however, staff authorization to increase contract amounts is subject to existing budget availability.

**Staging of Contract Costs and Amendments.** Using the amendment process in order to avoid competitive bidding or higher authorization levels at the contract award stage is prohibited.

## Amendments to Agreements

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The following provides general guidelines for authorization levels in approving changes to purchase orders and agreements.

### *Department Heads*

- **Contract originally awarded by the Department Head.** Not to exceed a cumulative amended *contract* cost of \$5,000.
- **Contract originally awarded by a higher purchasing authority (Finance Manager, City Manager or Council).** Not to exceed a cumulative *amendment* cost of \$5,000.

If amendments beyond these limits are needed, it will require the approval of either the Finance Manager, City Manager or Council, depending on the type of contract, the amount of the amendment and the cumulative cost of the contract. Moreover, depending on the procedures used in awarding the original contract, amendments may not be possible due to competitive bidding requirements.

### *Finance Manager*

For supplies, equipment or operation & maintenance services:

- **Contract originally awarded by the Department Head or Finance Manager.** Not to exceed a cumulative amended *contract* cost of \$25,000.
- **Contract originally awarded by a higher purchasing authority (City Manager or Council).** Not to exceed a cumulative *amendment* cost of \$25,000.

If amendments beyond these limits are needed, it will require the approval of either the City Manager or Council, depending on the type of contract, the amount of the amendment and the cumulative cost of the contract. Moreover, depending on the procedures used in awarding the original contract, amendments may not be possible due to competitive bidding requirements.

### *City Manager*

- **Contract or Bid/RPP package originally approved by the Department Head, Finance Manager or City Manager.** Not to exceed a cumulative *contract* cost (including amendments) of \$100,000 for supplies, equipment and operation & maintenance services; and \$25,000 for consultant services.
- **Bid/RPP package or contract originally approved by the Council.** Not to exceed a cumulative *amendment* amount from the original contract cost of \$100,000 for supplies, equipment and operation & maintenance services; and \$25,000 for consultant services.

If amendments beyond these limits are needed, it will require the approval of the Council. Moreover, depending on the procedures used in awarding the original contract, amendments may not be possible due to competitive bidding requirements.

## **Amendments to Agreements**

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### ***Council***

Any amendment that cannot be approved by the staff as outlined above.

### ***Exceptions***

If greater discretionary authority at the Department Head or City Manager level is desired than indicated above, this should be clearly identified in the City Manager or Council Agenda Report approving bid/RFP documents or awarding the contract.

### **DOCUMENTATION**

Amendment requests (such as the City Manager or Council Agenda Report) should include a cost summary of the original contract amount, any amendments to-date, the proposed amendment and the revised contract total.

*Revised September 2, 2003 to reflect changes in the City's Purchasing Guidelines approved by the Council on April 15, 2003.*

**Amendments to Agreements**

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**AMENDMENT TO AGREEMENT NO.**

THIS AMENDMENT TO AGREEMENT is made and entered in the City of San Luis Obispo on [date], by and between the CITY OF SAN LUIS OBISPO, a municipal corporation, herein after referred to as City, and [CONTRACTOR NAME], hereinafter referred to as Contractor.

**WITNESSETH:**

WHEREAS, on [date] the City entered into an Agreement with Contractor for [generally describe the original agreement workscope] per Specification No. [xxxxxx]; and

WHEREAS, the City desires to amend the scope of services to include [generally describe the proposed change in the workscope] and Contractor has submitted a proposal for this purpose that is acceptable to the City.

NOW THEREFORE, in consideration of their mutual promises, obligations and covenants hereinafter contained, the parties hereto agree as follows:

1. The scope of services and related compensation is hereby amended as set forth in Exhibit A attached hereto. [Attach proposal letter or other itemization of proposed work and agreed upon compensation referencing the Amendment Number]

2. All other terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed the day and year first written above.

ATTEST:

CITY OF SAN LUIS OBISPO

\_\_\_\_\_  
City Clerk

By: \_\_\_\_\_  
City Manager [or Mayor]

APPROVED AS TO FORM:

CONTRACTOR

\_\_\_\_\_  
City Attorney

By: \_\_\_\_\_

## Section 275

# CITY CREDIT CARDS

## OVERVIEW

### Purpose

These guidelines establish the City's basic policies and procedures for using credit cards in making minor supply and service purchases on behalf of the City and paying for travel expenses when on City business.

**City Use Only.** City credit cards are for official business use only. Charging personal expenses, even if the intent is to reimburse the City later, is prohibited. Doing so will result in disciplinary action.

### Objectives

By using credit cards instead of other payment options we hope to:

- Reduce procurement and payment processing costs.
- Improve vendor relations by making “doing business” with the City easier.
- Enhance internal control by better identifying specific employees making minor supply and service purchases on behalf of the City, and improving the accuracy of account distributions between programs and projects.
- Take advantage of cost-saving opportunities by purchasing on the Internet and through catalogs.

### Background

In the past, the City has limited its use of credit cards to those situations where it was the only viable payment option. Accordingly, Finance maintained a limited number of “generic” Visa cards in the City's name in a central inventory. With approval by the department head, Finance issued these cards on a case-by-case basis, usually for travel purposes. After their use, employees returned the card along with their receipts. In a few cases, Finance issued card numbers (but not the card itself) to departments for use in over-the-phone, fax or Internet purchases.

Several factors have led the City to change our approach in using credit cards:

- Credit card issuers are no longer willing to issue “generic” cards in the City's name; they now require them to be held in a specific individual's name.
- Many vendors who once agreed to “open purchase orders” will no longer do so; they require credit card purchases.

## City Credit Cards

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- In those cases where vendors have agreed to “open purchase orders,” we have experienced significant difficulties in ensuring appropriate cost distribution, especially where several departments, divisions and sections use the same vendor for similar purchases.
- Internet and catalog (via telephone and fax) purchasing is much more prevalent (offering significant cost-reduction opportunities for the City), and this requires the use of a credit card.

For these reasons, the City is expanding our use of credit cards. By issuing them to specific individuals, we can improve our internal control and cost accounting procedures.

*City past practice and experience in other California cities.* Before adopting these guidelines, we analyzed practices in other California cities and evaluated card options (such as “purchase cards” under the “Cal-Card” program versus more generic credit cards). Additionally, we reviewed our own experience in “checking-out” cards to employees on a case-by-case basis, and the administrative costs and inefficiencies with this approach. These guidelines reflect the results of this analysis, and build on the successful experience of other cities.

### Internal Control Concerns

While credit cards provide a cost-effective alternative for purchasing minor items and paying for authorized travel expenditures, the potential for abuse may offset any benefits that they offer. In addressing this concern, two conceptual approaches are available in managing their use:

- Developing detailed centralized control procedures.
- Having confidence in the discretion, judgment and ethics of City staff, with appropriate oversight by department heads.

Based on our organizational values as well as limited central staff resources, the second option is the most appropriate one for the City. Accordingly, the primary responsibility for ensuring the appropriate use of credit cards lies with each employee assigned a card. Department heads are responsible for ensuring that employees are aware of their responsibilities, and for implementing appropriate review and payment procedures within their department.

*Summary.* Some level of risk is inherent in expanding credit card use in conducting City business, and we should recognize this. However, there are also significant advantages; and with reasonable internal controls and exercise of good judgment by cardholders, we believe these advantages outweigh the underlying potential for abuse.

### POLICIES

- Finance issues City credit cards to *regular* employees as approved by the department head. Department heads set credit card limits up to \$5,000. Based on written justification by the department head, the Director of Finance and Information Technology (IT) may approve credit limits in excess of this amount. Department heads may also set “per transaction” limits at their discretion.



## City Credit Cards

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- Credit cards should never be used to circumvent established competitive purchasing procedures. This means no purchases for goods or services should be made in excess of \$5,000 that would otherwise require competitive bidding.
- Credit cards may be used in paying for travel expenses. However, the City's *Travel Guidelines* still apply to all such credit card payments, including the use of Travel Authorizations and per diem amounts.
- **Employees will not use City credit cards for personal expenses even if the intent is to reimburse the City later.** Charging personal expenses on City cards is a misuse of City funds and a serious breach of the City's ethics policy. Doing so—even if the intent is to reimburse the City later—will result in disciplinary action, up to and including termination.

*Note: Including minor incidental expenses as a component part of a larger billing—such as personal telephone calls or video rentals on a hotel bill—is allowed if reimbursed at the time the credit card billing is submitted for payment.*

**Standard Way of Doing Business.** Using credit cards is no longer a “special way” of purchasing supplies and services on behalf of the City; for many minor purchases, it has become the standard way of doing business. For those employees assigned City credit cards, purchasing supplies and services on behalf of the City is an integral part of their job duties; and failure to follow City policies and procedures regarding the use of City cards is no different from failure to follow policies and procedures in any other aspect of their job.

## PROCEDURES

**Requesting Credit Cards.** Department heads should submit credit card requests to Finance (via memorandum or email) to approve cardholders and set credit card limits. Department heads need to include supplemental justification for credit limits in excess of \$5,000.

**Criteria.** Credit cards are only issued to regular employees. Department heads should consider the following factors in approving credit cards for their staff and setting credit limits:

- Ability to hold the employee accountable for purchases made on the card.
- Recognition that delegating authority to an employee to purchase via credit card is not conceptually different from delegating authority to them to purchase from an open contract on a vendor account. In fact, by issuing cards to named holders, accountability is enhanced. In this context, departments should consider issuing cards in the same manner that they would consider authorizing employees to use open vendor accounts. On the other hand, there is much greater potential in the “breadth-of-use” of credit cards: employees can use them with more than just a few vendors. Department heads should also consider this added discretion and increased potential for abuse in approving credit cardholders.
- Frequency of use, diversity of vendors and dollar value of purchases made by the employee.

**Cardholder Agreement.** Before receiving a credit card, employees must sign a “credit cardholder use agreement” (Exhibit A) setting forth their obligations under this program.

**Competitive Bidding.** The City’s competitive bidding standards apply to all types of payment methods, including credit card purchases. Generally, credit card purchases will be for smaller expenditures. While there may be exceptions as allowed under the City’s purchasing policies, this means individual purchases should not exceed \$5,000, and only purchase orders or formal agreements should be used for purchases in excess of \$5,000.

**Timely Payment.** Department heads are responsible for ensuring that each credit card statement (along with appropriate supporting documentation reconciled to the statement) is submitted to Finance for payment in a timely manner. Based on the statement cycle date, Finance has established specific monthly payment schedules for credit card statements. To avoid posting errors, administrative charges and late fees, Finance pays all credit card charges based on the “master account” on a timely basis, even if supporting documentation is not yet received from the operating departments. When subsequently received, the supporting documentation will be retroactively reconciled to the payment. Instances where this occurs should be very rare and due to extenuating circumstances. Accounting staff will notify the Director of Finance and IT of any such instances of late or inaccurate payment submittals. After reviewing the circumstances, the Director of Finance and IT will recommend to the department head appropriate follow-up action, including cancellation of card privileges and disciplinary action.

**Disputed Charges.** Cardholders are responsible for ensuring that the vendor and issuing bank are notified immediately of any disputed charges. Standard forms (provided by the issuing bank) are available from Finance for this purpose. Departments should pay the statement in full—including any disputed amounts—to avoid finance charges and late fees; when resolved, this will result in a credit to the account on the next monthly statement.

**Standard Process for Payment.** The City’s standard accounts payable system is used in processing monthly credit card statements for payment. Each credit card charge should be listed separately on the credit card payment voucher, and account numbers, purchase descriptions and amounts referenced as appropriate. Supporting documentation for credit card payments should be the same as for any other accounts payable item. This means that original invoices (or receipts) along with credit card receipts must be retained, reconciled to the credit card statement and attached to the payment voucher.

### Payment Streamlining

Finance has prepared a “streamlined” voucher for processing credit card payments. Using this simpler form instead of the City’s standard voucher makes it easier for departments to keep track of uses, reconcile receipts to the monthly statement and process payments.

**Guidelines for Departmental Procedures.** Specific procedures for processing credit card payments will vary from department-to-department based on their unique needs. Departments should document their internal procedures and periodically review them to ensure that they continue to make sense. Finance is available to assist departments with this.

**Credit Card Processing Fees.** There may be a nominal processing fee by the issuing bank. This charge—if any—is the department’s cost responsibility.

## City Credit Cards

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**Lost or Stolen Cards.** Cardholders are responsible for ensuring that the issuing bank and the Department of Finance are notified immediately if the card is lost or stolen. Standard forms (provided by the issuing bank) are available from Finance for this purpose. Failure to do so may result in making the cardholder responsible for any fraudulent use of the card.

**Disciplinary Action.** Department heads are responsible for all disciplinary action surrounding misuse of cards, including requesting cancellation of card privileges.

**Return of the Card Upon Request or Termination.** Cardholders will immediately surrender their card upon request of their department head. Human Resources is responsible for retrieving the credit card when an employee separates from the City. Use of the credit card for any purpose after its surrender is prohibited.

### RESPONSIBILITIES

- **Cardholders.** Purchase supplies and services on behalf of the City in accordance with these guidelines.
- **Department Heads.** Authorize issuance of credit cards and set credit limits; develop and implement departmental procedures to ensure that payments are appropriately reviewed and approved, processed in a timely manner and that all supporting documentation is retained, reconciled to monthly statements and attached to payment vouchers; and oversee implementation of these guidelines.
- **Finance.** Establish “master account” relationship with issuing bank; issue credit cards as requested by department heads in accordance with these guidelines; process credit card payment vouchers in accordance with the City’s accounts payable policies and procedures; ensure that the monthly “master account” is paid in full on a timely basis; develop guidelines (“best practices”) for departmental payment procedures; help resolve billing disputes; and replace lost or stolen cards.
- **Human Resources.** Retrieve credit cards from employees separating from the City.

### SUMMARY

These guidelines cannot cover every issue, exception or contingency that may arise in using City credit cards. Accordingly, the basic standard that should always prevail is to use common sense and good judgment in the use and stewardship of City resources.

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*Approved by the City Manager on April 6, 2000; Minor changes made by Finance on October 1, 2002.*

G: Finance/Manuals/Financial Management Manual/200-Purchasing Policies/275-City Credit Cards



## Section 290

# PURCHASING ORDINANCE

### Chapter 3.24 PROCEDURES FOR PAYMENT OF CLAIMS AND PURCHASES

#### Article I. General Provisions

- 3.24.010 Applicability of provisions.
- 3.24.020 Purpose of provisions.
- 3.24.030 Purchasing authority designated - Powers and duties.
- 3.24.040 Purchasing manual.
- 3.24.050 Purchase documents.
- 3.24.060 Bidding procedures - Use of not required when.
- 3.24.070 Authority to hire consultants.
- 3.24.075 Recycled product procurement policy.

#### Article II. Open Market Purchase Procedure

- 3.24.080 Purchase authorization.
- 3.24.090 Quotations - Notice of invitation.
- 3.24.100 Quotations - Submission in writing - Recordkeeping.
- 3.24.110 Quotations - Number required.
- 3.24.120 Quotations - Rejection.
- 3.24.130 Award of purchase orders.

#### Article III. Formal Contract Procedure

- 3.24.140 Requirements for purchase.
- 3.24.145 Job order contracting
- 3.24.150 Bids - Notice of invitation and submission.
- 3.24.160 Bids - Security requirement.
- 3.24.170 Bids - Opening and retention.
- 3.24.180 Bids - Rejection.
- 3.24.185 Bids- None received.
- 3.24.187 Bids for construction projects – In excess of limit.
- 3.24.190 Contract award.
- 3.24.200 Requiring bond of successful bidder.
- 3.24.210 Determination of lowest responsible bidder.

#### Article IV. Payment Procedure

- 3.24.220 Payment requirements.
- 3.24.230 Warrant preparation - Accounting documents required.

- 3.24.240 Payment date.
- 3.24.250 Warrants - Director of Finance and Information Technology (IT) to sign - Payment.
- 3.24.260 Disbursement record inspection.

#### Article I. General Provisions

**3.24.010 Applicability of provisions.** All expenditures by the city for supplies, services, equipment and public works projects not controlled by the Charter shall be made only in accordance with and pursuant to the provisions of this chapter. (Ord. 954 § 2(part), 1983: prior code § 2950.1)

**3.24.020 Purpose of provisions.** A purchasing control system for the city is adopted in order:

- A. To secure those items set out in Section 3.24.010 at the lowest possible cost commensurate with quality requirements;
- B. To ensure effective financial control over expenditures;
- C. To clearly define authority and accountability for the purchasing function;
- D. To minimize the written documentation, administrative actions and expense of processing purchase transactions;
- E. To assure the quality of purchases made on behalf of the city; and
- F. To facilitate accurate forecasting and planning of department needs and expenditures. (Ord. 954 § 2 (part), 1983: prior code § 2950.2)

**3.24.030 Purchasing authority designated - Powers and duties.** The city administrative officer, or his designated representative(s), shall be the purchasing authority whose functions shall include the following powers and duties:

- A. To develop and prescribe, for the departments, such administrative policies, forms and files as may be reasonably necessary for the

## Purchasing Ordinance

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internal management and operation of these purchasing procedures;

B. To purchase or contract for those items listed in Section 3.24.010 and required by departments in accordance with these purchasing procedures;

C. To negotiate and recommend execution of contracts for purchase of those items listed in Section 3.24.010;

D. To procure the needed quality in supplies, services, equipment and public works projects not controlled by the Charter, at minimum expense;

E. To ensure as full and open competition as possible on all purchases;

F. To consolidate department orders for like items, ensuring quantity discount pricing whenever possible;

G. To develop and maintain department awareness of purchasing and pricing principles, marketing conditions and new products;

H. To inspect supplies and equipment delivered, as well as contractual services performed, to determine their conformance with the specifications set forth in the orders and contracts; and, in this connection, to have the authority to require chemical, physical or other tests of samples submitted with quotations or bids, or of delivery samplings, which may be necessary to determine quality and conformance with specifications;

I. To establish procedures for, and assign duties to, personnel engaged in receiving, storing and issuing purchased supplies, thereby ensuring that supply levels are consistent with usage requirements;

J. To facilitate the transfer of surplus or unused supplies and equipment among departments as needed; and

K. Subject to Charter Section 906, to sell or exchange surplus supplies and equipment; provided, that the same cannot reasonably be used by any department. (Ord. 954 § 2(part), 1983: prior code § 2950.3)

**3.24.040 Purchasing manual.** Pursuant to the provisions of this chapter, the city administrative officer shall approve and implement a manual of purchasing policies and procedures and shall make such manual available to the Council for inspection. (Ord. 954 § 2(part), 1983: prior code § 2950.4)

**3.24.050 Purchase documents.** All departments shall expend money for those items set forth in Section 3.24.010 only in such manner, at such times and by submission of such purchase documents as the purchasing authority shall prescribe. (Ord. 954 § 2(part), 1983: prior code § 2950.5)

**3.24.060 Bidding procedures - Use of not required when.** Purchase of those items listed in Section 3.24.010 shall be by bid procedures set forth in this chapter. Such procedures may be dispensed with, at the discretion and judgment of the purchasing authority as to the best interests of the city, as follows:

A. When the amount to be expended is less than the bid requirement amount which shall be specified by resolution of the Council;

B. When an emergency requires that an order be placed with the nearest available source of supply;

C. When the item(s) to be purchased can be obtained from only one vendor or supplier;

D. When supplies or equipment have been uniformly adopted in the city or otherwise standardized;

E. When the purchase will be made cooperatively with one, or more, other units of government;

F. When reasonably necessary for the preservation or protection of public peace, health, safety or welfare of persons or property; or

G. When, given the indeterminate nature of the city's need, a request for proposal will result in a more favorable and efficient comparison of supplies, equipment and/or services. (Ord. 954 § 2(part), 1983: prior code § 2950.6)

**3.24.070 Authority to hire consultants.** The restrictions and provisions of this chapter shall not apply to contracts involving the acquisition of professional or specialized services such as, but not limited to, those rendered by architects, attorneys, engineers and other specialized consultants. Selection for such services will be made by an evaluation of proposals solicited from capable professionals, and approved by the Council, whenever the cost of the work to be performed is of an estimated value in excess of the amount specified by Council resolution. This section shall not prohibit the purchasing authority from requiring proposals for work with an estimated cost of less than the Council specified amount if, in the discretion of the purchasing authority, selection based upon the evaluation of proposals would better serve the interest of the city. (Ord. 954 § 2(part), 1983: prior code § 2950.7)

**3.24.075 Recycled product procurement policy.**

A. It is the intent of the city Council that the City of San Luis Obispo take a leadership role not only in recycling its waste products but also in the purchase of recycled products for use in the delivery of city services. It is the purpose of this section to provide direction to the city administrative officer in the procurement and use of recycled products. For the purpose of this section, recycled materials are defined as any materials (e.g., glass, paper, plastic, etc.) that are separated by type, reprocessed by industrial methods, and used as raw materials for the manufacture of new products.

B. It is the policy of the City of San Luis Obispo to purchase and use recycled products whenever possible to the extent that such use does not negatively impact health, safety, or operational efficiency.

C. It is the policy of the City of San Luis Obispo to encourage the purchase of products which can be recycled or reused.

D. The City will purchase and use recycled paper for masthead stationery, envelopes and printing purposes. In addition, recycled paper shall be purchased and used in all copy

machines which will accept it. City staff will encourage the copier industry to develop high-speed copiers which will accept recycled paper.

E. City departments shall examine their purchasing specifications and, where feasible, restructure them to encourage the use of products which incorporate recycled materials in their manufacture.

F. A ten percent preference, not to exceed one thousand dollars per contract, may be given to recycled products. The fitness and quality of the recycled product must be at least equal to unrecycled products as determined by the city. The preference percentage shall be based on the lowest bid or price quoted by the supplier or suppliers offering nonrecycled products.

G. Price preferences may be offered in excess of the ten percent ceiling established in this section, if it can be shown that purchase of a recycled product or material will result in greater long-term savings to the city. Award of a bid in excess of the ceiling, however, requires the approval of the city administrative officer or city Council as established in the city's purchasing manual. (Ord. 1178 § 1, 1990)

*Ord. No. 1178 added § 3.24.080, which the editor has renumbered § 3.24.075 since the chapter already contained a § 3.24.080.*

**Article II. Open Market Purchase Procedure**

**3.24.080 Purchase authorization.** Purchases of supplies, equipment and contractual services, except those controlled by the Charter, having an estimated value less than that specified by Council resolution for bid may be made by the purchasing authority in the open market without observing the formal contract procedures set out in Article III of this chapter. (Ord. 954 § 2(part), 1983: prior code § 2951.1)

**3.24.090 Quotations - Notice of invitation.** The purchasing authority shall invite, either by verbal or written request, quotations from prospective sellers, vendors, suppliers or contractors. (Ord. 954 § 2(part), 1983: prior code § 2951.2)

**3.24.100 Quotations - Submission in writing - Recordkeeping.** Written quotations shall be submitted to the purchasing authority, who shall keep a record of open market quotations and orders for a period of ninety days after the receipt of such quotations. (Ord. 954 § 2(part), 1983: prior code § 2951.3)

**3.24.110 Quotations - Number required.** Open market purchases shall be based, whenever reasonably possible, on at least three quotations. (Ord. 954 § 2(part), 1983: prior code § 2951.4)

**3.24.120 Quotations - Rejection.** The purchasing authority may reject:

- A. Any quotations which fail to meet the specific purchase requirements in any respect; or
- B. All quotations, for any reason whatsoever, and may invite new quotations. (Ord. 954 § 2(part), 1983: prior code § 2951.5)

**3.24.130 Award of purchase orders.** Purchase orders shall be awarded by the purchasing authority to the person submitting the lowest responsible quotation, except as follows:

- A. If two or more quotations are received for the same total amount or unit price, quality and service being equal, and if, at the discretion of the purchasing authority, the public interest will not permit the delay of inviting new quotations, then the purchasing authority may accept the lower quotation obtained through negotiation with the persons submitting the tie quotations;
- B. Sellers, vendors, suppliers and contractors who maintain places of business located within the limit of the city shall be given preference if quality, price, service and all other relevant factors are equal; or
- C. If no quotations are received the purchasing authority may make the required purchase without further notice. (Ord. 954 § 2(part), 1983: prior code § 2951.6)

### **Article III. Formal Contract Procedure**

**3.24.140 Requirements for purchase.** Except as otherwise provided in this chapter, purchases and contracts for supplies, services, equipment and construction projects, which are equal to or in excess of the bid requirement amount specified by Council resolution, shall be by written contract with the lowest responsible bidder pursuant to the procedures prescribed in this article. (Ord. 1435 § 1 (part), 2003: Ord. 954 § 2 (part), 1983: prior code § 2952.1)

**3.24.145 Job order contracting.** As provided in Section 901(E) of the Charter, the city may perform maintenance-related construction projects for repair, remodeling or other repetitive work under a unit-price contract for all necessary labor, materials and equipment, subject to the following conditions:

- A. Such contracts are secured on a competitive basis in accordance with the procedures set forth in this article;
- B. No new construction will be performed under such contracts;
- C. The specifications for such contracts provide for unit-price terms for all work that will typically be performed under individual task orders;
- D. The specifications for such contracts establish any limits on the amount of individual task orders to be issued under the contract; or on any minimum or maximum cumulative amounts of task orders to be issued under the contract;
- E. The Council will specify limits on the authority to approve individual task orders by resolution. (Ord. 1435 § 1 (part), 2003)

**3.24.150 Bids—Notice of invitation and submission.**

- A. Notices inviting bids shall include, but not be limited to, the following:
  - 1. A general description of the item(s) or service(s) to be purchased, or the public work to be constructed or improved;



## Purchasing Ordinance

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2. The location where bid blanks and specifications may be secured;

3. The time and place assigned for the opening of sealed bids;

4. The type and character of bidder's security required, if any; and

5. The location and deadline for submission of bids.

B. Notices inviting bids shall be made as follows:

1. For supplies, services and equipment, notices inviting bids shall be published at least once in the official newspaper of the city, with the first publication occurring at least ten calendar days before the date of opening the bids.

2. For construction projects below an amount specified by Council resolution, notices inviting bids shall be mailed to a list of qualified contractors, identified according to categories of work, at least ten calendar days before the bids are due. The city engineer is responsible for developing and maintaining this list based on the criteria determined by the California Uniform Construction Cost Accounting Commission (hereinafter referred to as Commission in this chapter). Notices shall also be mailed within ten calendar days before the bids are due to all construction trade journals as required by the Commission. If the city does not have a list of qualified contractors for the particular type of work to be performed, notices inviting bids will only be sent to the construction trade journals as required by the Commission. If the product or service is proprietary in nature and can only be obtained from a certain contractor or contractors, notices inviting bids will only be mailed to such contractor or contractors.

3. For construction projects above an amount specified by Council resolution, notices inviting bids distinctly describing the project be published at least once in the official newspaper of the city, with the first publication occurring at least fourteen calendar days before the date of opening the bids. Notices inviting bids distinctly describing the project shall also be mailed at least thirty calendar days before the

date of opening bids to all construction trade journals as required by the Commission.

4. The city may also give such other notice as it deems appropriate.

C. Sealed bids shall be identified as bids on the envelopes and shall be submitted to the purchasing authority. (Ord. 1435 § 1 (part), 2003; Ord. 1291 § 1, 1996; Ord. 954 § 2 (part), 1983; prior code §2952.2)

### **3.24.160 Bids—Security requirement.**

Bidder's security may be required when deemed necessary by the purchasing authority. Bidders shall be entitled to return of bid security.

However, a successful bidder shall forfeit his bid security upon refusal or failure to execute a contract within fifteen days after notice of award of that contract, unless the city is responsible for the delay. The contract may be awarded to the next lowest responsible bidder upon the refusal or failure of the successful bidder to execute the contract within the time herein prescribed. (Ord. 1435 § 1 (part), 2003; Ord. 954 § 2 (part), 1983; prior code § 2952.3)

### **3.24.170 Bids—Opening and retention.**

Sealed bids shall be opened in public at the time and place stated in the notice inviting bids. A tabulation of all bids received shall be made available for public inspection until the award of a contract. All bids shall be retained on file for a period of not less than two years. (Ord. 1435 § 1 (part), 2003; Ord. 954 § 2 (part), 1983; prior code § 2952.4)

**3.24.180 Bids—Rejection.** The purchasing authority may reject:

A. Any bid that fails to meet the bidding requirements in any respect; or

B. All bids, for any reason whatsoever, and may readvertise for new bids or abandon the purchase;

C. In the case of construction projects, the Council may, by passage of a resolution by a four-fifths vote, declare that the project can be performed more economically by employees of the city and may have the project done by force

account. (Ord. 1435 § 1 (part), 2003: Ord. 954 § 2 (part), 1983: prior code § 2952.5)

**3.24.185 Bids—None received.** If no bids are received, the purchase may be made through negotiated contract or other process approved by the purchasing authority, including, in the case of construction projects, performing the work by employees of the city by force account. (Ord. 1435 § 1 (part), 2003)

**3.24.187 Bids for construction projects—In excess of limit.** In the event that all bids received for a construction project are more than the maximum allowed under Section 22034(f) of Public Contract Code, and bids were invited pursuant to the provisions of Section 3.24.150(B)(2), the Council may, by adoption of a resolution by four-fifths vote, award the contract, in an amount not to exceed the maximum set forth in Section 22034(f) of Public Contract Code, to the lowest responsible bidder, if it determines that the cost estimate was reasonable. Otherwise, the bids shall be rejected, and if the agency decides to go forward with the project, shall be re-bid in accordance with the procedures set forth in Section 3.24.150(B)(3). (Ord. 1435 § 1 (part), 2003)

**3.24.190 Contract award.** Subject to the prior approval of the city administrative officer, contracts shall be awarded by the purchasing authority to the lowest responsible bidder, except as follows:

A. If, at the time of bid opening, two or more bids received are for the same total amount or unit price, quality and service being equal, and if in the discretion of the purchasing authority the public interest will not permit the delay of readvertising for bids, then the purchasing authority may accept the one she or he chooses or the lowest bid obtained through subsequent negotiation with the tie bidders.

B. Sellers, vendors, suppliers and contractors who maintain places of business located within the limit of the city shall be given preference if quality, price, service and all other factors are equal. (Ord 1435 § 1 (part), 2003: Ord. 954 § 2 (part), 1983: prior code § 2952.6)

**3.24.200 Requiring bond of successful bidder.** The purchasing authority may require as a condition to executing a contract on behalf of the city, a performance bond or a labor and material bond, or both, in such amounts as the purchasing authority shall determine appropriate to protect the best interests of the city. The form and amounts of such bond(s) shall be described in the notice inviting bids. (Ord. 1435 § 1 (part), 2003: Ord. 954 § 2 (part), 1983: prior code § 2952.7)

**3.24.210 Determination of lowest responsible bidder.** In addition to the bid or quotation price, criteria for determining the lowest responsible bid or quotation, for the purposes of the Charter and this chapter, shall include, but not be limited to, the following:

A. The character, integrity, reputation, judgment, experience and efficiency of the bidder (this may include an analysis of previous work performed for the city);

B. The ability of the bidder to perform the contract, or provide the supplies, equipment or services required, within the time specified, without delay or interference;

C. The ability of the bidder to provide future maintenance, repair parts and replacement of purchased equipment or supplies;

D. Compliance by the bidder with federal acts, executive orders and state statutes governing nondiscrimination in employment; and

E. The results of any evaluation relating performance and price, such as testing, life-cycle costing, and analysis of service, maintenance and technical data. (Ord. 1435 § 1 (part), 2003: Ord. 954 § 2 (part), 1983: prior code § 2952.8)

#### **Article IV. Payment Procedure**

**3.24.220 Payment requirements.** All purchases not otherwise provided for in the Charter shall be made by requisition, or other prescribed document, signed by the purchasing authority and paid by warrant signed by the Director of Finance and IT. Payment will only

## Purchasing Ordinance

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be made upon the satisfaction of the Director of Finance and IT that:

- A. Sufficient moneys have been appropriated for the purchase;
- B. The expenditure is in accordance with budget authority; and
- C. The proposed expenditure is legal. (Ord. 954 § 2(part), 1983: prior code § 2953.1)

**3.24.230 Warrant preparation - Accounting documents required.** The Finance and IT Department shall prepare a warrant after receiving properly completed accounting documents as prescribed by the Director of Finance and IT and the purchasing authority. Such accounting documents include, but are not limited to, purchase authorizations, purchase orders, receiving reports and vendor invoices. (Ord. 954 § 2(part), 1983: prior code § 2953.2)

**3.24.240 Payment date.** The Director of Finance and IT shall determine and assign the dates of warrant preparation, the frequency of which shall be no less than twice each month. (Ord. 954 § 2(part), 1983: prior code § 2953.3)

**3.24.250 Warrants - Director of Finance and IT to sign - Payment.** The Director of Finance and IT shall sign each warrant, which shall be honored if there is sufficient money in the city's account. (Ord. 954 § 2(part), 1983: prior code § 2953.4)

**3.24.260 Disbursement record inspection.** Following each disbursement a copy of the warrant register, including all warrant numbers and dollar amounts, will be made available for inspection by the Council and the City Manager. (Ord. 954 § 2(part), 1983: prior code § 2953.5)

## Section 295

# PURCHASING GUIDELINES

In accordance with the policy framework set forth in Chapter 3.24 of the municipal code, City purchases and contracts (including those for rentals and leases, but excluding those for real property) will be made pursuant to these guidelines. Applicable competitive bidding categories, authorization limits or contract award procedures will be based on unit cost, total purchase cost for consolidated bid items or fiscal year aggregates in the case of blanket purchase orders or similar ongoing purchasing arrangements. Staging of purchases in order to avoid these competitive bidding procedures or authorization limits is prohibited.

### GENERAL PURCHASES

Purchases and contracts for supplies, equipment, operating and maintenance services, and construction projects will be made pursuant to the following guidelines.

- A. **Over-the-Counter.** Purchases of less than \$7,500 may be authorized by the Department Head. Although no specific purchasing requirements are established for this level of purchase, competitive bidding should be used whenever practical.
- B. **Open Market.** Purchases between \$7,500 and \$25,000 may be authorized by the Director of Finance & Information Technology (or designee) pursuant to the open market bidding procedures established in Chapter 3.24 (Article II) of the municipal code.
- C. **Formal Bids or Proposals.** Purchases in excess of \$25,000 will be made pursuant to the formal bidding requirements established in Chapter 3.24 (Article III) of the municipal code. Authority to approve specifications, invite bids or request proposals and award contracts will be as follows:
  1. For purchases with an approved budget and a cost estimate of \$100,000 or less, the City Manager is authorized to invite bids or request proposals, approve specifications and award the contract.
  2. For purchases in excess of \$100,000, Council approval of the specifications and authorization to invite bids or request proposals is required. The Council may authorize the City Manager to award the contract if the selected bid or proposal is less than or equal to the Council-approved cost estimate and there are no substantive changes to the specifications. Otherwise, Council award of the contract is required.
- D. **Job Order Contracts: Construction Projects.** Under the Job Order Contract provisions of Chapter 3.24 (Article III) of the municipal code for maintenance-related construction projects, individual Task Orders up to \$25,000 may be approved by the City Engineer. Individual Task Orders in excess of \$25,000 require approval by the City Manager.

### CONSULTANT SERVICES

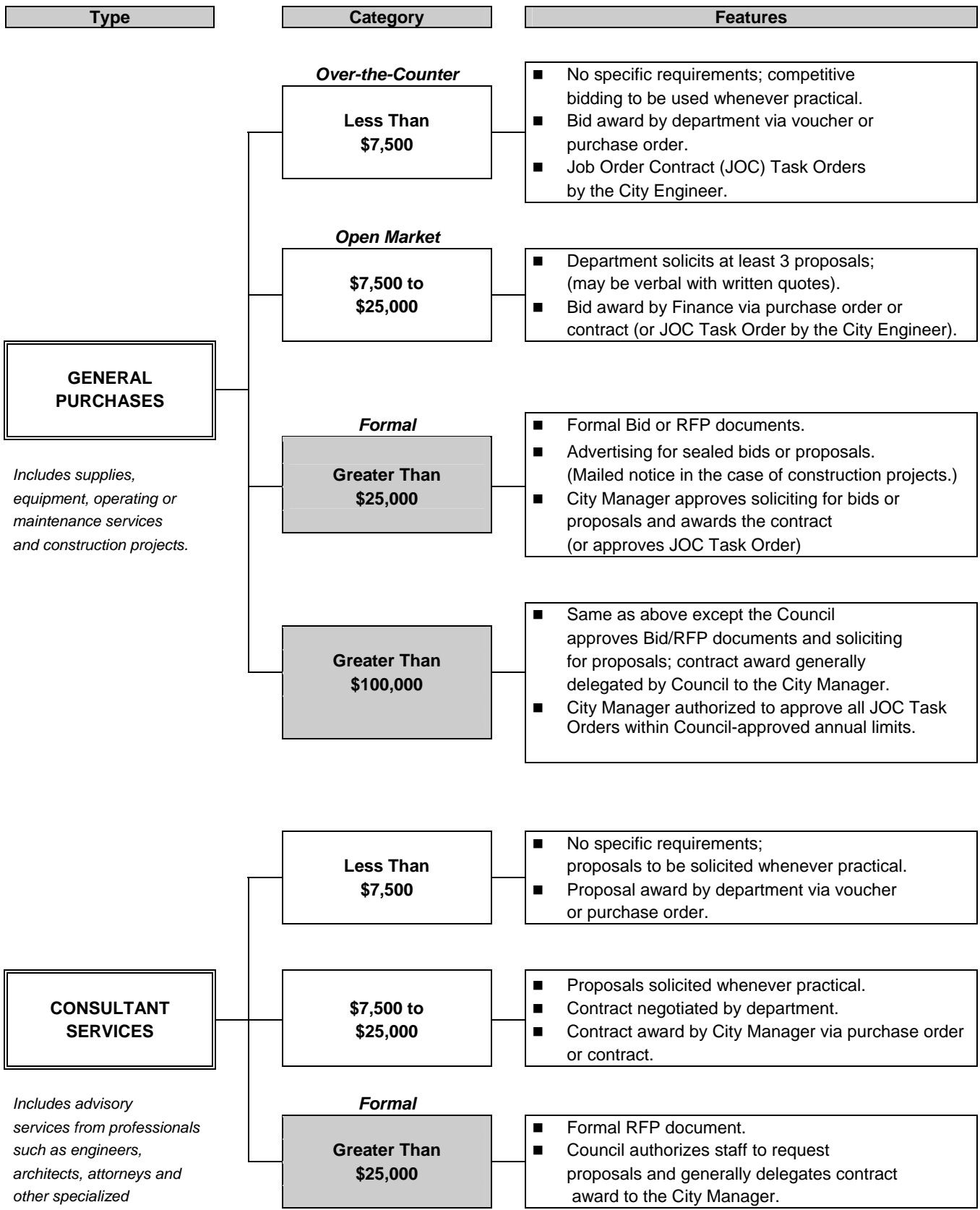
Contracts for consultant services will be awarded pursuant to the following guidelines.

## Purchasing Guidelines

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- A. Contracts for consultant services estimated to cost less than \$7,500 may be awarded by the Department Head. Although no specific purchasing requirements are established for this level of contract, proposals should be solicited whenever practical.
- B. Contracts for consulting services estimated to cost between \$7,500 and \$25,000 may be awarded by the City Manager. Proposals from at least three firms should be solicited whenever practical.
- C. Contracts for consultant services estimated to cost more than \$25,000 will generally be awarded pursuant to the following guidelines; however, it is recognized that the City's need for consultant services will vary from situation to situation, and accordingly, flexibility will be provided in determining the appropriate evaluation and selection process to be used in each specific circumstance.
  1. The Council should generally approve request for proposal (RFP) documents before they are issued. The Council may authorize the City Manager to award the contract if it is less than or equal to the Council-approved cost estimate and there are no substantive changes to the approved workscope. Otherwise, Council award of the contract is required.
  2. In the event that the timely evaluation and selection of a consultant precludes Council approval of the RFP before it is issued, the RFP may be approved and distributed by the City Manager; however, award of the contract will be made by the Council.
  3. Cost will not be the sole criterion in selecting the successful bidder. Consultant proposals will be evaluated based on a combination of factors that result in the best value to the City, including but not limited to:
    - a. Understanding of the work required by the City
    - b. Quality and responsiveness of the proposal
    - c. Demonstrated competence and professional qualifications necessary for satisfactory performance of the work required by the City
    - d. Recent experience in successfully performing similar services
    - e. Proposed methodology for completing the work
    - f. References
    - g. Background and related experience of the specific individuals to be assigned to the project
    - h. Proposed compensation
  4. If it is determined that it is in the best interest of the City for services to be provided by a specific consultant—with contract terms, workscope and compensation to be determined based on direct negotiations—contract award will be made by the Council.

**PURCHASING SYSTEM OVERVIEW**



*Note: These are general guidelines; the evaluation and selection process for consultant services may vary on a case-by-case basis.*

## Section 301

# TRAVEL AND MEETING GUIDELINES

## OVERVIEW

These guidelines establish the basic policies and procedures for travel on City business or attendance at meetings by all employees and officials. Everyone who travels or attends meetings for City business purposes (or supervises someone who does) is responsible for knowing and following these guidelines.

These guidelines are organized into the following eight sections:

1. General Standards
2. Allowable Expenses
3. Planning an Official Trip
4. Travel Authorizations
5. Making the Trip
6. Incurring Non-Travel Expenses
7. Accounting for Expenses
8. Completing Travel Authorizations and Expense Reports

The key document in the administrative process is the Travel Authorization/Expense Report (TA). Besides ensuring that travel by City employees and officials is conducted in accordance with these guidelines, the TA summarizes the total cost of attending conferences, meetings, and seminars and provides documentation for cash advances, vendor payments and credit card purchases. General instructions for completing and processing this form are also included in these guidelines.

***Adoption and Implementation.*** The Council is responsible for adopting the City's travel and meeting guidelines and for approving any significant policy revisions to them. The City Manager is responsible for developing administrative procedures as needed to implement the guidelines. In this role, the City Manager is authorized to make minor administrative changes in the guidelines as long as they are intended to carry out the purpose of these guidelines and will not have any significant policy impacts.

## ❶ GENERAL STANDARDS

These guidelines do not require you to take a bus, stay in a cheap motel or eat only in fast food restaurants. A bus or a train may cost less than a plane, but the added time away from work may make these slower options more expensive to the City overall. The meal allowances established in these guidelines allow you to eat in moderately priced restaurants.

In all areas, not just economy, you are responsible for exercising good judgment in requesting, arranging and making a trip. It should be thoroughly planned, well in advance. You should not mix personal business with official business if it will cost the City anything in dollars or lost time, or if it will harm the City's interests in any way.

## **Travel and Meeting Guidelines**

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These guidelines are not intended to address every issue, exception or contingency that may arise in the course of City travel or attendance at meetings. Accordingly, the basic standard that should always prevail is to exercise good judgment in the use and stewardship of the City's resources.

### **② ALLOWABLE EXPENSES**

Expenses incurred in connection with the following activities generally constitute authorized expenses, as long as the other guidelines of this policy are met, including good judgment in the use and stewardship of the City's resources.

1. Communicating with representatives of regional, state and national government on City adopted policy positions.
2. Serving on professional organization or governmental committees, boards or task forces.
3. Attending educational seminars, conferences or organized educational activities designed to improve skill levels or provide information on topics important to City policy and operations.
4. Preparing research for City projects or implementing adopted City plans, policies, goals or programs.
5. Attending meetings involving activities or decisions important to City interests, consistent with adopted plans, policies, goals or programs.
6. Attending events where the City is a formal sponsor or participant, or in performance of official duties for the City.
7. Communicating with individuals or representatives of community groups on policy positions adopted by or under consideration by the City.
8. Recognizing volunteer or employee service to the City.
9. Engaging in other business related activities with a direct connection to the implementation of adopted City plans, policies, goals or programs.

### **③ PLANNING AN OFFICIAL TRIP**

#### ***How will you travel?***

When planning the transportation portion of your trip, you should consider all aspects of cost to the City—daily expenses, overtime, lost work time—as well as actual transportation costs. In general, common carrier (such as bus, train or plane) is the preferred mode of transportation. You should use an intercity bus, train or airplane unless there is a valid reason for using private transportation. For example, use of a City vehicle—especially if two or more employees or officials are traveling together—may be less expensive for travel within the State. However, as noted above, the increased time for automobile transportation—and the potential for lost work



## Travel and Meeting Guidelines

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time, overtime, or increased lodging costs—should be considered in determining the best mode of transportation.

**Transportation at Your Destination.** If you need local transportation at your destination, use of public transit such as buses, streetcars and subways is appropriate: the City will reimburse you for these expenses. The City will also reimburse you for taxis when public transit or other common carriers are not reasonably available. If a car rental is required, you may use a City credit card or request reimbursement when you return (see Section 275 of the Financial Management Manual regarding guidelines and procedures for using City credit cards).

### Government or Group Rates

It is the City's policy to use discounted government or sponsoring group rates for transportation whenever these are offered and available.

**Air Travel.** All air travel on City business should be coach class.

**Traveling by Automobile.** If you will be driving, you should use a City vehicle if one is available. You may use a City credit card to purchase gasoline or request reimbursement when you return. If a City vehicle is not available, or there is another reason why you should drive your personal car, you may do so with the approval of your department head. You will be reimbursed at the currently approved per mile rate (see Section 350 of the Financial Management Manual).

The following intercity mileages provided by the Automobile Club of Southern California may be used:

City	One-Way Mileage	City	One-Way Mileage
Anaheim	227	Sacramento	286
Bakersfield	137	San Diego	324
Fresno	138	San Francisco	231
Los Angeles	201	San Jose	188
Monterey	148	Santa Barbara	108
Oakland	228	Santa Maria	30

Additionally, you may also use third party sources such as “Yahoo Maps” in determining mileage reimbursements.

To drive a privately owned vehicle on City business you must:

1. Possess a valid California driver's license.
2. Carry liability insurance limits required by the City's Risk Management Manual.
3. Realize that any damage to the car, needed service or repair occurring on the trip will be your responsibility, as these costs are included in the City's per mile cost reimbursement.

**Mileage in-Lieu of Common Carrier Costs.** In the event that a common carrier would otherwise be the preferred mode of transportation, but you will use a personal car instead (subject to the approval guidelines set forth above), you will not be reimbursed more than the common carrier cost.

### ***When will you go? By what route?***

You should schedule your trip so that you leave at the latest reasonable hour and still arrive at your destination on time. You should also return promptly when your business is finished, thereby minimizing the time away from work and ensuring full reimbursement of all related expenses. You should generally take the most direct and commonly traveled routes. Other routes may be authorized when official business requires their use. If you take an indirect route or stop along the way for personal reasons, the City will not reimburse you for related expenses.

### ***What about compensation for travel time?***

When travel time exceeds your normal workweek, the City's rules for overtime apply. In determining overtime compensation, normal commute time should be deducted from the total travel time. Additionally, normal unpaid meal periods are not considered work time when you are traveling. Overtime eligibility applies equally to drivers and passengers, and should be granted whether the travel occurs during normal workdays, weekends or evenings.

### ***Where will you stay?***

The City will pay for a single room (including taxes and parking) for as many nights as necessary. The accommodations you use should be economical but practical. For example, it is preferable to stay at the hotel where a conference is held, even if that hotel may be slightly more expensive than others in the area. Location is also important: a hotel close to where you will be conducting business may be slightly more expensive than outlying hotels, but it may be easier to achieve the City's travel goals by staying at the closer location. In general, you should stay at the most reasonably priced accommodations available consistent with the purpose and goals of your travel.

If you have a question about using a particular hotel, obtain concurrence or direction from your department head before making a reservation.

#### **Sponsored Conferences and Training**

When conference or training sponsors have made arrangements for lodging, you should stay at one of these facilities and the cost should not exceed the maximum group rate published by them.

In the event that rooms are not available at one these facilities, you should stay at a comparable facility at a comparable cost, not to exceed the maximum group rate published by the sponsor.

### ***Should you make reservations?***

Whenever possible, you should make reservations. They are often required for large conferences. You can use a City credit card number to confirm reservations. Be sure to cancel any reservations you will not use. If the City is charged for an unused reservation, you will pay that charge unless circumstances requiring cancellation were reasonably beyond your control.

## **Travel and Meeting Guidelines**

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When making lodging reservations, be sure to ask about exemptions from the local transient occupancy tax (TOT): some cities exempt travelers on City business, others don't. If there is an exemption, you can save up to 15% on lodging costs depending on the local TOT rate. Almost all lodging operators will require an official, written claim for exemption. A sample for this purpose is provided in Exhibit A.

Additionally, you should also ask about any discounted government or group rates; and use them if they are offered and available.

### **④ TRAVEL AUTHORIZATIONS**

TA's are required whenever the total estimated cost will exceed \$200 or overnight accommodations will be required. Otherwise, credit cards or the City's standard voucher system may be used to request vendor payments or expense reimbursements.

Department head approval of TA's is required, and out-of-state travel requires the further approval of the City Manager. The first page of the completed TA and accompanying voucher requests should be submitted to your department head as far in advance as possible. The reverse side of the TA will be used when you return to account for your actual travel expenses.

Department heads approving TA's are responsible for determining that the cost is reasonable and justified by the trip's purpose. They should be certain that:

1. The purpose cannot be accomplished by mail or telephone.
2. The seminar, meeting or conference is necessary to accomplish key City goals and objectives and is unavailable locally if overnight accommodations are required.
3. The minimum number of City staff members are going.
4. The itinerary ensures accomplishment of the purpose at the lowest reasonable cost.
5. The traveler understands and follows these guidelines.
6. There is enough money in the appropriate travel budget to cover the costs.

Ultimately, the responsibility for following these guidelines and exercising good judgment in the use and stewardship of the City's resources rest with each City employee and official incurring travel, meeting or meal costs on City business.

### **Requests for Cash in Advance and Payments to Vendors**

The City will pay all legitimate expenses of your trip or meeting. These include transportation, lodging, registration fees, meals and any other related expenses such as parking, baggage handling and telephone costs if they are for official business and fit within these guidelines.

There are three ways to pay for travel expenses: direct vendor payments, cash advances/reimbursements and credit cards. Direct vendor payments are made by the City to an organization to pay for specific costs related to a trip—usually registration fees, lodging and airfare. Cash advances are lump sum payments made to you before you leave to cover expenses

## **Travel and Meeting Guidelines**

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as they arise on the trip; and reimbursements (or refunds to the City) are processed after your travel is completed. Credit cards are issued pursuant to the City credit card policy (Section 275 of the Financial Management Manual).

If you request a cash advance, your department head must review the amount to be sure it is reasonable. When you return, you must account for all expenses you incurred, and return the unused portion of the advance. You will be reimbursed the difference if the actual, authorized expenses you incurred exceed the amount advanced.

To obtain either direct vendor payments or a cash advance, you must complete the appropriate sections of the TA and attach payment vouchers for all payments (including cash advances). You should also attach a copy of the approved City Manager transmittal report (if required). You should retain a copy of the completed TA (both sides) because you will need it when you return to reconcile and account for your actual expenses.

**TA Forms.** The TA Form is available as an *Excel* file on the City's Intranet.

### **⑤ MAKING THE TRIP**

There are two key “golden rules” to remember about making an official trip:

1. Keep it official.
2. Keep records for all expenses.

#### **Keeping It Official**

If you take time away from official business for personal matters, or if you delay your return after completing your business, you will not be reimbursed for expenses incurred during that time. When combining business and personal travel in this manner, department head approval is required. If this extended period occurs during your regular scheduled work hours, the time will be counted as vacation, comp time (if available) or leave without pay.

If you become sick and must delay your return, you will be reimbursed for your additional living expenses (except those directly related to your illness, such as physician or hospital costs) until you are able to return home. You should notify your supervisor as soon as possible if you become ill. The time will be counted as sick leave if it occurs during your normally scheduled work hours, and the City's normal sick leave rules will apply.

And lastly, all expenses must be incurred in accordance with the guidelines set forth in this policy.

#### **Keeping Records for All Expenses**

As discussed below under *Accounting for Expenses*, you must maintain a detailed record of all expenses incurred during your travel: meals, transportation, lodging, baggage handling, parking

## **Travel and Meeting Guidelines**

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fees, registration fees, telephone (including reasonable calls to communicate home) and any other reasonable and necessary expenses.

Receipts must be submitted for all expenses.

In the event that receipts are not available, you must provide a written explanation of the circumstances as to why this is the case and reason you incurred this expense.

### **Meal Guidelines**

The following amounts (including beverages, taxes and gratuities) are allowed for meals:

Breakfast	\$10.00
Lunch	15.00
Dinner	35.00

As noted above, receipts are required for all meal costs.

Because of reimbursement limitations by other agencies (such as P.O.S.T) or other budget constraints, department heads may authorize lower meal allowances. Any reimbursements exceeding these allowances require approval by the department head. In the event that there are conflicts between these guidelines and Memorandums of Agreement (MOA) with employee associations, the MOA will apply.

If meals are provided without charge at a meeting or while in transit (meals served on a plane, for example), meal costs will not be reimbursed.

## **⑥ INCURRING NON-TRAVEL EXPENSES**

**Special Events.** The City will reimburse expenses incurred for such meetings and hospitality as may, from time to time, be determined by the Council to be appropriate. Costs for such special occasions will be determined by specific Council action authorizing such events.

**Local Meeting and Training Costs.** The City will also reimburse expenses you incur in attending meetings or conferences held locally which do not include travel expenditures, subject to the following guidelines:

1. Meals not incurred as part of out-of-area or overnight travel are limited to activities outside of normal duties, such as business-related meetings held before or after regular working hours (including working lunches where this is the only time available) or extended overtime due to special projects or emergencies.
2. Meal reimbursements are not allowed as part of routine daily work assignments or training within City limits, unless part of the registration cost or the meal is served on site as part of the program to keep all participants together and not have them disperse for meals.

## Travel and Meeting Guidelines

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3. Meals incurred during training held outside the City limits are only allowable when the training (including travel time) spans the normal meal period.

For example, if training is held outside of the City limits from 9:00 until 10:30 AM at a location that is an hour away from the City, meal costs for lunch would not be reimbursable. However, meal costs for lunch under similar circumstances where the training is held from 9:00 AM to 3:00 PM would be reimbursable.

4. Reimbursement for meal costs in these circumstances are subject to the City's meal cost guidelines for overnight travel.

**Other Expenses.** The City will reimburse you for costs incurred while at a meeting or other function when such costs are directly linked to the program or subject matter of the meeting. Examples of costs that may be borne by the City include printed materials, tapes or other training material that may be available for sale at the meeting.

### **Alcoholic Beverages**

City funds should not be used to purchase alcohol or reimburse employees for alcohol related costs. The Council or City Manager may approve exceptions to this policy on a case-by-case basis for special receptions or other unique circumstances. This discretion applies primarily to non-travel related expenditures such as special receptions, and not to routine travel or meetings by City employees.

### **Spouses and Guests**

Spouses and guests are welcome to accompany you on City travel and at conferences, seminars and meetings. However, any additional costs associated with the participation of your spouse or other guests are your responsibility. Exceptions to this policy include the annual League of California Cities dinner and any other occasions as specifically approved by the Council.

**Guests As Passengers in City Vehicles.** Due to liability concerns, non-City employees should not ride as passengers in City vehicles when it is not directly related to City business. However, department heads may approve exceptions on a case-by-case basis, subject to review by the Risk Manager.

## **⑦ ACCOUNTING FOR EXPENSES**

When you return from your trip or official function, a final accounting of all expenses must be approved by your department head and submitted to Finance within ten working days. An expense report is required in all cases—whether the advance and actual expenses are equal, you are eligible for additional reimbursement or you owe money to the City.

## **Travel and Meeting Guidelines**

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The final accounting is made by completing the *Travel Expense Report* section on the reverse side of the TA. After completing the expense report, you should attach required receipts, sign the report attesting to its accuracy and submit it to your department head for review and approval. If you owe the City for the unused balance of a cash advance, you should pay the amount due to the cashier at your location and attach the cash register receipt to your expense report.

A completed Travel Expense Report is required for the employee's vendor file, even when a trip does not have an employee advance or reimbursement because all payments were made via direct voucher or credit card.

Department heads approving expense reports are responsible for ensuring that:

1. All expenses are reasonable, necessary and consistent with these guidelines.
2. Any required receipts are attached.
3. The final disposition is correct (balance due employee; balance due City).
4. Any amounts due to the City are reimbursed.
5. Final accounting of all expenses is submitted to Finance.

Upon approval by your department head, the expense report should be processed as follows depending upon the circumstances:

### ***If the City Owes You***

The expense report should be forwarded to Finance along with a voucher request for payment to you; the reimbursement will be processed on the next check register.

### ***If You Owe the City***

The expense report should be forwarded to Finance with the cash register receipt attached evidencing payment of the amount due.

## **Processing Related Vouchers**


All travel related costs require payments to vendors via vouchers, whether it is direct payments to vendors (such as to the conference provider for registration or hotel for lodging), credit payments or reimbursements to employees. To ensure appropriate documentation for all such payments, copies of the TA or Travel Expense Report must accompany all vouchers as follows:

1. ***Vouchers Processed Before Travel Occurs.*** The TA must be attached to all related vouchers.
2. ***Vouchers Processed After Travel Occurs.*** The Travel Expense Report must be attached to all related vouchers.

*Note: When City Manager approval is required, documentation of this must also be attached to all related vouchers.*

**⑧ COMPLETING TRAVEL AUTHORIZATIONS AND EXPENSE REPORTS**

The following charts and tables provide an overview of the City's travel procedures, instructions for completing the TA and Expense Report forms, and completed samples.



*Approved by the Council on November 14, 2006 (Resolution No. 9850)  
Updated by the City Manager on November 7, 2007*



**OVERVIEW OF TRAVEL PROCEDURES**



**STEP 1  
Travel Authorization**

Who	What
<b>Traveler</b>	<ul style="list-style-type: none"> <li>• Consult with Department Head on the need for travel.</li> <li>• Plan itinerary, transportation &amp; lodging.</li> <li>• Complete Travel Authorization (TA); attach vouchers for employee cash advance (if needed) and each direct vendor payment requested.</li> </ul>
<b>Department Head</b>	<ul style="list-style-type: none"> <li>• Review TA for conformance with City travel guidelines and department priorities.</li> <li>• Verify that adequate funding exists in the appropriate travel budget to cover all costs.</li> <li>• Approve TA, provide a copy to the employee and submit to Finance for payment processing.</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>• Make cash advance and vendor payments.</li> <li>• File TA in employee's vendor file.</li> </ul>

**STEP 2  
Expense Reporting**

Who	What
<b>Traveler</b>	<ul style="list-style-type: none"> <li>• Complete and submit expense report section of the TA accounting for all expenses to the Department Head within 10 working days after completion of travel.</li> <li>• Attach any required receipts.</li> <li>• Sign report attesting to its accuracy.</li> <li>• Pay cashier at your location and attach cash register receipt if a balance is due to the City.</li> </ul>
<b>Department Head</b>	<ul style="list-style-type: none"> <li>• Review expense report for conformance with City travel guidelines.</li> <li>• Verify accuracy of balances and disposition.</li> <li>• Approve expense report, make a copy for departmental records and submit to Finance; attach voucher request if funds are due to the employee.</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>• File expense report in employee's vendor file and process any payment due to the employee if requested.</li> </ul>

## COMPLETING THE TRAVEL AUTHORIZATION

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### OVERVIEW

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The Travel Authorization (TA) form should be prepared whenever the total estimated cost of travel is more than \$200 or overnight lodging is required.

The TA is a two-sided form: the front side provides for approval of the travel, summarizes the cost and provides documentation for any cash advance to the employee and direct payments to vendors; the reverse side is for reporting actual expenses within 10 days after travel is completed and reconciling.

Completing the form itself is largely self-explanatory, and a completed sample is provided for your information. The following highlights key areas of the TA form:

### TRAVEL AUTHORIZATION: SIDE 1

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The front side of the TA is organized into five major sections:

1. **General Information.** Identifies who is going, where the meeting or conference will be held, how long the employee will be gone, how much it will cost, and the account number that should be charged.
2. **Purpose.** Describes the reason for the trip.
3. **Cost and Payment Summary.** Outlines the estimated cost of the trip by expense type (registration, transportation, lodging, meals; spaces are provided to add categories not pre-listed), vendors to whom payment will be made (including cash advances to the employee), method of payment (voucher, purchase order, credit card), and amount. A summary is then provided of the payments to be made to the employee, vendors, or by credit card.

Appropriate vouchers, purchase orders or credit card requests should be attached to the TA when it is submitted to Finance for processing.

4. **Itinerary.** Summarizes when and where the employee will be traveling.
5. **Approvals.** Provides a signature box for the employee and approval by the Department Head. Out-of-state travel requires the further approval of the City Manager.

### TRAVEL EXPENSE REPORT: SIDE 2

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For reporting actual expenses upon completion of travel and reconciling this amount to any cash advance received, the reverse side of the TA is organized into four major sections:

1. **Actual Expense Detail.** Itemizes actual expenses by type for each day of your trip (spaces are provided for dates and expense categories not pre-listed).
2. **Mileage Detail: Personal Vehicle.** Summarizes miles and cost if you were authorized to use a personal vehicle for the trip.
3. **Travel Expense Summary.** Totals expenses for the trip and reconciles them with any cash advance received, resulting in either a balance due to the employee or due to the City.
4. **Approvals.** Provides a signature box for the employee and approval by the Department Head (and City Manager if required).







990 Palm Street ■ San Luis Obispo, CA 93401

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## **CLAIM FOR EXEMPTION FROM TRANSIENT OCCUPANCY TAX**

The undersigned claims exemption from paying city transient tax charged for the period from \_\_\_\_\_ through \_\_\_\_\_. The undersigned claims this exemption for \_\_\_\_\_, who is on official business as an employee of the City of San Luis Obispo.

***NOTE: Operators of hotels should not accept this application unless the person presenting it shows satisfactory identification. A separate application is required for each occupancy period.***

I declare under penalty of perjury of the laws of the State of California that the foregoing is true and correct:

*[Signature of Authorizing Official]*

\_\_\_\_\_  
Sara Elspeth,  
Director of Department

\_\_\_\_\_  
Date



The City of San Luis Obispo is committed to including disabled persons in all of our services, programs and activities. Telecommunications Device for the Deaf (805) 781-7410.

## **Section 350**

### **MILEAGE REIMBURSEMENT RATE**

Under the City's fleet management program, the City reimburses employees for using their personal car in conducting City business at the IRS approved rate. Consistent with the IRS basis in setting this rate, the City's per mile reimbursement rate reflects all costs associated with operating a vehicle, such as depreciation, lease payments, maintenance, repairs, fuel, oil, insurance (including deductibles) and vehicle registration fees.

On January 1, 2010, the IRS standard mileage rate decreased from 55 cents per mile to 50 cents. Accordingly, effective January 1, 2010, the City will reimburse employees at the rate of 50 cents per mile when using their personal vehicle in conducting City business.

## **Section 401**

### **INTRODUCTION**

The purpose of this section is to describe the City's policies and procedures regarding the management of the City's fixed assets and inventory items.

Areas currently covered include:

- Fleet management (Section 405)
- Accounting for fixed assets (Section 415)
- Disposal of surplus property (Section 480)

Further areas that will be covered in this section include policies and procedures for the management of:

- Information technology property
- Other equipment items
- Real property (land and buildings)
- Infrastructure (water and sewer lines, treatment facilities, bridges, sidewalks)
- Consumable supplies in inventory

## Section 405

# FLEET MANAGEMENT

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- *Originally adopted by the Council on October 2, 1990 (Resolution No. 6876)*
- *Updated and revised by the Council several times since then, most recently on February 17, 2009 (Resolution No. 10057)*



## SECTION 405-A: OVERVIEW

### PURPOSE AND OBJECTIVES

#### 1. Purpose

The City's fleet represents a significant investment in the tools needed to deliver day-to-day services. This section of the Financial Management Manual outlines responsibilities, policies, and procedures for managing the City's fleet according to established objectives.

#### 2. Objectives

- a. ***Minimize fleet life-cycle costs.*** Typically, it makes sense to get as much service life as possible out of a fleet unit. On the other hand, as fleet units get older and accumulate more miles, operation and maintenance costs eventually become excessive. Also, surplus value declines sharply after a certain point. Striking a sensible balance among these fleet management principles can maximize utility and minimize overall costs.
- b. ***Avoid unnecessary capital outlays for fleet expansion and replacement.*** Expanding the fleet or replacing an existing unit may not make sense if the unit is used only sparingly.
- c. ***Preserve and improve fleet safety, utility, reliability, and economy.*** Regular and competent inspection and maintenance can prevent safety problems, maximize reliability, and minimize long-term costs. Newer vehicles usually incorporate more advanced technology such as airbags, anti-lock braking systems, and engines that burn cleaner, last longer, and use less fuel. New construction equipment usually incorporates technology that improves the productivity and safety of equipment operators. Also, newer units are naturally more reliable.
- d. ***Maintain a positive image for the City.*** Routinely cleaning, maintaining, and repairing fleet units can demonstrate a commitment to good stewardship over City assets. Operating older vehicles and equipment can sometimes convey a positive impression of cost-consciousness, if the units are not allowed to become unsightly or noisy. Stylish features with marginal utility may project an inappropriate image of luxury or extravagance.
- e. ***Set a progressive example of environmental stewardship.*** Buying and operating alternative-fuel and high efficiency conventional-fuel units, where functionally and fiscally practical, can demonstrate the practicality of such units in reducing conventional-fuel use and enhancing air quality. It can also encourage the initial supply of innovative products until widespread demand makes them more feasible to produce.
- f. ***Encourage responsible use of City vehicles and equipment.*** Conscientious use of City vehicles and equipment can improve safety and reduce liability.

## 405-B: Overview

# RESPONSIBILITIES

### 1. City Manager Responsibilities

- a. Oversee the acquisition, operation, and disposal of all City-owned and leased Fleet vehicles and equipment.
- b. Authorize replacement of fleet units that have been damaged beyond repair when the cost or method of replacement is within the City Manager's purchasing authority and adequate resources are available within existing budget appropriations.
- c. Amend fleet management policies and procedures as required to accomplish adopted fleet management objectives.

### 2. Department Head Responsibilities

- a. Ensure fleet management policies and procedures are followed.
- b. Budget for fleet additions and replacements not funded through the Fleet Replacement Fund.
- c. Ensure that all department employees who operate fleet units have appropriate and valid operator licenses.
- d. Ensure discussion between management staff occurs to identify and consider incremental changes when Transit contracts renew or key fleet staff positions vacate. Potential opportunities could include combining business activities to take advantage of economies of scale, better integration or centralized administrative support, integration of fleet asset management data collection and reporting, establishing equipment standards and using master contracts for outsourced service providers.

### 3. General Fleet Coordinator Responsibilities

- a. Manage the acquisition, disposal and replacement of all units not assigned to the Fire or Transit Fleet.
- b. Service and repair all vehicles and other related fleet equipment including portable and fixed emergency generators not assigned to the Fire or Transit Fleet.
- c. Manage inventories of the fuel, oil, tires, and replacement parts needed for all units not assigned to the Fire or Transit Fleet.
- d. Document the maintenance history and cost, the fuel use, and the accumulated mileage (or hours) for each unit not assigned to the Fire or Transit Fleet.
- e. Identify units to be disposed of.

### 4. Fire Fleet Coordinator Responsibilities

The City has established a separate Fire Fleet to address the specific needs of this specialized equipment. Fire equipment has a special roll and demands that require special certification and record keeping in maintaining unique equipment. A Fire Mechanic

position and Fire equipment maintenance facilities based at Fire Station One has been a long standing and successful norm for managing the Fire Fleet. This practice is intended to continue indefinitely, however, when Fire maintenance staff positions vacate, the Public Works and Fire departments should take the opportunity to identify and consider potential opportunities that could be beneficial for consolidating some or all elements of the Fire and General Fleets. Examples may be combining business activities to take advantage of economies of scale, better integrated or centralized administrative support, integration of asset data collection and reporting, adoption of common equipment standards and using master contracts for outsourced service providers.

- a. Manage the acquisition, disposal and replacement of all units assigned to the Fire Fleet. The Fire Fleet includes all vehicles and other related fleet equipment including portable and fixed emergency generators assigned to the Fire Department.
- b. Service and repair all units assigned to the Fire Fleet.
- c. Manage inventories of the fuel, oil, tires, and replacement parts needed for all units assigned to the Fire Fleet.
- d. Document the maintenance history and cost, the fuel use, and the accumulated mileage (or hours) for each unit assigned to the Fire Fleet.
- e. Identify units to be disposed of.

#### **5. Transit Fleet Coordinator Responsibilities**

The City has established a separate Transit Fleet to address the specific needs of this specialized equipment. Transit equipment has a special roll and demands that require special certification and record keeping in maintaining unique equipment. A Transit Management position, comprehensive Service Contract, and Transit equipment maintenance facilities based at 29 Prado Road has been a long standing and successful norm for managing the Transit Fleet. This practice is intended to continue indefinitely, however, when Transit contracts are up for renewal or key Transit management staff positions vacate, Public Works should take the opportunity to identify and consider potential opportunities for consolidating some or all elements of the Transit and General Fleet. Examples may be combining business activities to take advantage of economies of scale, better integrated or centralized administrative support, integration of fleet asset data collection and reporting, adoption of common equipment standards and using master contracts for outsourced service providers.

- a. Manage the acquisition, disposal and replacement of all units assigned to the Transit Fleet. The Transit Fleet includes buses and service vehicles owned by the City and used by the City's transit service contractor. Because such contractors prefer to service and repair the vehicles they operate, the Transit Fleet is kept separate from other City units.
- b. Oversee the maintenance and operation activities of the Transit Fleet that are performed by the transit service contractor.
- c. Identify units to be disposed of.

#### **6. Vehicle and Equipment Operator Responsibilities**

- a. Exercise good judgment.
- b. Consult a supervisor or the fleet coordinator if any operator responsibilities are not clear.
- c. Use City units only for conducting City business unless 1) a vehicle has been approved as a part of compensation or 2) personal use of a vehicle has been specifically approved by the City Manager.
- d. Arrange for emergency repairs whenever consulting with the fleet coordinator would be impractical. Pay for emergency repairs by either using a City credit card or paying for the repair and submitting receipts for reimbursement.
- e. Wash and vacuum units periodically to maintain appearance and prevent premature deterioration of surfaces and materials. Use City-owned washing facilities if available. If City-owned washing facilities are not available, use a commercial car wash. Use commercial waxing and detailing services only with prior approval of the fleet coordinator.
- f. Pay for any parking fees and tolls required while on City business. Submit receipts for reimbursement.
- g. Pay any traffic and parking fines incurred. These payments are not reimbursable.
- h. Carry a valid California driver license.
- i. Obey all traffic laws.
- j. Except for emergency response, strictly observe speed limits and avoid rapid acceleration in order to minimize fuel use.
- k. In order to minimize fuel use, avoid vehicle idling except when required for safety, emergency response, vehicle maintenance, equipment activity, or recommended warm-up.
- l. Drive defensively.
- m. Use turn signals.
- n. Use seat belts and ensure all occupants the use seat belts.
- o. In case of accident, follow instructions included in the accident folder.
- p. Observe no smoking in City vehicles policy requirements in accordance with City policies pursuant to City Municipal Code Title 8, Health and Safety, 8.16.030 paragraph C.
- q. Observe cell phone use policy requirements during operation of City vehicles.

**7. Finance Division Responsibilities**

- a. Dispose of surplus vehicles in accordance with City policy in section 480 or the Finance Management Manual.

## Section 405-C: Policies

### MAINTAINING PROPER FLEET SIZE

1. **Minimum Fleet Size.** The number of units in the fleet should not exceed the minimum number of units needed to effectively conduct City business.
2. **Reviewing Vehicle Use.** When budgeting for fleet replacements, average annual mileage or hours should be calculated for each unit to be replaced. If average annual use appears to be much lower than the average annual use within the same vehicle or equipment category, the following options should be considered instead of replacement:
  - a. Using a vehicle assigned to a convenient vehicle pool
  - b. Occasionally borrowing from, or establishing on-going shared equipment with another operating program.
  - c. Renting a vehicle or equipment item for a limited period of time in accordance with Financial management Manual requirements and City Manager approval where required.
  - d. Reimbursing employees for use of privately-owned personal vehicles where it is a practical or necessary alternative to City vehicle use, particularly if such use may result in reduction in fleet size and does not conflict with trip reduction efforts.
  - e. Leasing of select construction or alternative fuel equipment.
3. **Reimbursement for Business Use of Personal Vehicles.** When use of a privately-owned personal vehicle is authorized for City business, reimbursement will be made at the current Internal Revenue Service rate allowed for business use of vehicles. Consistent with the IRS calculation of this rate, the per mile reimbursement rate will reflect *all* costs associated with operating a vehicle, including, but not limited to, depreciation, lease payments, maintenance, repairs, fuel, oil, insurance, and vehicle registration fees.
4. **Timely Disposal of Replacement Units.** Replacement of units will not be used as a strategy to expand the fleet either temporarily or permanently. When a unit is replaced, it will expeditiously be declared surplus and be disposed of, except that the City Manager may approve a one-time temporary retention and use not to exceed 180 days.
  - a. The General Fleet Coordinator may retain one surplus general purpose sedan or pickup truck for a loaner vehicle to be used by departments when their vehicles are being serviced.
  - b. The General Fleet Coordinator may retain one surplus backhoe/loader for light-duty use at the Corporation Yard.
5. **Authority to Dispose of Surplus Units.** The Director of Finance & Information Technology is authorized to:
  - a. Declare replaced units as surplus whenever the Council has previously approved replacement through the budget process or other Council action.
  - b. Dispose of surplus units by sale, auction, trade-in, or other disposal method according to City policies and procedures.

## Section 405-D: Policies

### BUYING NEW VERSUS USED

1. Based on past experience with purchase of used general fleet equipment, and to ensure reliability and value, the City's primary practice should be purchasing new vehicles and equipment when replacements are needed. Buying new fleet equipment takes advantage of design advancements and improvements in fuel usage at reasonable cost from competitive bidding through state and local cooperative purchase opportunities. This does not preclude the option to buy used on a case-by-case basis if there are specific reasons why used vehicles or specialize equipment is a more practical and cost effective alternative to buying new.
2. **Exception.** One standing exception to this policy will be that the City will purchase used general-purpose police sedans. Police Department has found that it needs general-purpose sedans that:
  - a. Are not typically specified for government fleet use and have modest exterior trim levels so the sedans do not stand out as stripped-down government vehicles. This is important because these cars are often pressed into service for detective or undercover work.
  - b. Have large interior capacities with plenty of seat width and legroom in the rear. This is important because these cars must occasionally respond to emergencies carrying four fully equipped patrol officers.

To meet these two criteria and keep replacement budgets reasonable, the City should buy used vehicles to replace general-purpose police sedans. This procedure is common practice in California cities when replacing similar police vehicles.

## Section 405-E: Policies

### ENVIRONMENTAL STEWARDSHIP

1. The City should incorporate “green” vehicles into its General, Fire, and Transit Fleets when such units:
  - a. Will produce significantly less air pollution, use less fossil fuel or have higher miles-per-gallon ratings than comparable conventional units.
  - b. Will not compromise fleet safety, utility, and reliability.
  - c. Can be fueled or recharged locally.
  - d. Can be serviced economically and locally.
  - e. Have a projected life-cycle cost that no more than 20% higher than the projected life-cycle cost of comparable conventional-fuel units. The impact of environmental externalities, such as secondary pollution or market impacts from bio fuel production and distribution, should be considered with potential decisions in procuring alternative fuel vehicles.
  
2. Each new and replacement unit should have the best fuel-efficiency and the lowest emissions available while performing its *primary* program use. Incidental or occasional program uses should not compromise good fuel-efficiency and low emissions. For example, if the primary use is local transportation for one or two people, then a small or ultra-small vehicle should be selected. If the program occasionally needs a larger unit to transport three or four people to an out-of-town conference, such a unit should be rented or borrowed from another program area.

## Section 405-F: Policies

### **FLEET USE TARGET GUIDELINES BEFORE REPLACEMENT**

1. The following table shows the age and mileage expected from City units in front-line operation before replacement or assignment to backup service:

Vehicle or Equipment Category	Age in Years	Mileage	Years Allowed in Backup Service*	Hours
<b><i>Public Safety Vehicles</i></b>				
Police Patrol Vehicles	---	80,000	---	---
Police Patrol Motorcycles	---	35,000	---	---
Fire Pumper Trucks	16	---	4	---
Fire Aerial Ladder Trucks	20	---	4	---
Other Fire Trucks	10	---	---	---
**Other Public Safety Vehicles	---	80,000	---	---
<b><i>General Purpose Vehicles</i></b>				
Police Sedans	8	90,000		---
Sedans	11	90,000		---
Station Wagons	11	90,000		---
Passenger Vans	11	90,000		---
Utility Vehicles	11	90,000		---
Pickup Trucks (under 1 ton)	11	90,000		---
<b><i>Special Purpose Service Units</i></b>				
Light Trucks (under 1 ton)	12	100,000		---
Medium Trucks (1 to 2 tons)	12	60,000		---
Heavy Trucks (over 2 tons)	12	60,000		---
Utility Scooters	6	30,000		5,000
Street Sweepers	8	60,000		6,000
Vacuum Flusher Trucks	12	60,000		---
Trailers	18	---		---
Construction Equipment	12	---		5,000
Buses	12	---		---
Mowers	7	---		5,000
Boats	21	---		---
Other Portable Equipment	15	---		---

\* Backup service defined as setting aside a unit from front line or regular service for the sole purpose of being available during down time of the front line unit.

\*\* Includes any 24/7 scheduled units that are primarily assigned as a front-line, first responder emergency-call vehicle. As of November 2008, this includes the Police CSI Truck, Police Sergeant SUV and Fire Battalion Chief SUV.



2. For units bought used, the age and mileage targets apply to age and mileage since new, rather than age and mileage since acquired by the City.
3. Age/mileage/hours standards will be periodically reviewed and may be adjusted because of improvements in technology or maintenance practices.
4. In order to maintain the high level of reliability required for emergency response vehicles, police patrol units should be replaced when they reach their mileage targets. For the same reason, fire safety units should be replaced when they reach their age targets.
5. For non-safety units, the age/mileage/hours targets are only guidelines. Units in exceptional condition with low-cost repair histories may continue in service beyond expected age/mileage/hours targets at the discretion of the fleet coordinator. On the other hand, units may be recommended for replacement before expected age/mileage/hours targets are reached if there are problems with irreparable damage, high maintenance cost, unreliability, unsafe components, or technological obsolescence.

## Section 405-G: Policies

### EQUIPPING AND MARKING NEWLY-ACQUIRED UNITS

1. The fleet coordinator will equip each unit with the following articles:
  - a. Vehicle registration forms
  - b. Proof of insurance
  - c. An accident folder that includes an incident report form, an information exchange card, and witness information cards
2. General-purpose sedans, station wagons, and passenger vans do not require any special markings. However, these vehicles must be identified as belonging to the City of San Luis Obispo through such means as a license plate holder or window decal.
3. Utility vehicles, pickup trucks, and special purpose units will be marked with the current standard City logo and logo colors on each side and the City fleet identification number on the tailgate or other conspicuous area.
4. Police patrol vehicles and patrol motorcycles will be marked so that they will be immediately recognizable as City public safety vehicles. Marking schemes for patrol vehicles will be approved by the City Manager.
5. Emergency response apparatus in the Fire Fleet will be painted base red and will be marked so that they will be immediately recognizable as City public safety vehicles. Other emergency response units in the Fire Fleet will be painted base white and will be marked so that they will be immediately recognizable as City public safety vehicles. Marking schemes for emergency response units will be approved by the City Manager. General-purpose sedans in the Fire Fleet will be marked as described in paragraph 2.
6. Transit Fleet vehicles will be marked with a distinctive scheme that includes the term "SLO Transit." Any changes to Transit Fleet markings will be considered by the Mass Transportation Committee and approved by Council.
7. The City Manager must approve any deviations from the provisions of paragraphs 2 through 5 and any additional special markings on any units. Any significant change to established vehicle markings may, at the discretion of the City Manager, require Council approval.

## **Section 405-H: Procedures**

### **BUDGETING FOR FLEET ADDITIONS AND REPLACEMENTS**

Budgeting for additions and replacements will be pursuant to the City's budget policies and the budget instructions issued for each Financial Plan cycle. Except as noted below, all fleet additions and replacements are approved by the Council through the budget process.

#### **1. Budgeting for Fleet Additions**

- a. Prepare a Capital Improvement Plan (CIP) project request for each unit to be added.
- b. Group similar units within one operating program into a single request.
- c. Understand that the City's budget policies will apply to all such requests.

#### **2. Budgeting for Fleet Replacements**

- a. Examine units that are near or beyond age and mileage targets. Recommend replacement if justified by maintenance history, overall condition, value, and obsolescence.
- b. Prepare a CIP project request for each unit to be replaced. Group similar units within one operating program into a single request. Include the following minimum information for each unit to be replaced:
  - City identification number (e.g., 0405)
  - Model year (e.g., 2005), make (e.g., Ford), and model (e.g., F-350)
  - Description (e.g., one-ton truck)
  - Assigned department (e.g., Public Works)
  - Assigned program (e.g., Signal and Light Maintenance)
  - Acquisition year (e.g., 2004-05)
  - Acquisition price
  - Recommended replacement year (e.g., 2010-11)
  - Estimated total replacement price (including the price of additional equipment such as radios and installation for new or transferred equipment)
  - Itemization of total replacement price (including base price, price of special equipment, price of special equipment installation, and five percent price contingency)
  - Estimated surplus value
  - Basis of estimated surplus value (e.g., blue book, previous auction proceeds)
  - Current odometer or hourmeter reading
  - Projected odometer or hourmeter reading at replacement

- Maintenance cost since acquisition
- Maintenance cost in the last full fiscal year
- Justification for replacement before age or mileage targets
- Justification for replacement with other than a like unit
- An explanation of how the replacement unit conforms to the policies of Section 405-E regarding environmental stewardship

3. **Off-Cycle Additions and Replacements**

Request fleet additions or replacements at times other than the normal budget cycle (Financial Plans, Mid-Year Budget Reviews and Financial Plan Supplements) when necessary due to exceptional circumstances. However, except for replacements due to damage beyond repair as discussed below, understand that Council approval is always required.

4. **Replacing Fleet Units Damaged Beyond Repair**

Request City Manager approval to replace fleet units that have been damaged beyond repair, subject to all of the following conditions City Manager:

- a. The Fleet Coordinator has evaluated cost options and recommended replacement rather than repair as the most cost effective solution.
- b. The cost and method of replacement are within the City Manager's purchasing authority.
- c. Adequate resources are available for the purchase within existing budget appropriations.
- d. The City Manager Report includes (1) the same information about the unit being replaced described in paragraph 2b of this section and (2) a full description of the circumstances resulting in the damage.

Request Council approval if the City Manager conditions in paragraph 4b and 4c are not met.

## Section 405-I: Procedures

### **BUYING NEW UNITS: COOPERATIVE PURCHASING CONTRACT**

*Note: All Fleet purchases such as Police patrol vehicles, general purpose fire trucks, sedans, station wagons, passenger vans, light to heavy trucks, utility vehicles, and construction equipment should generally be acquired new through State of California Multiple Award Schedule (CMAS) contracts. Specialized units not generally available through CMAS should generally be acquired new through “piggyback” purchases, where other local agencies have conducted competitive procurements and made those contracts available to the City.*

1. Obtain a copy of the purchasing contract that extends contract prices to other government agencies.
2. Ensure that the specified unit along with options is appropriate for the intended use.
3. Contact any local dealers that might have been potential bidders to ensure that the cooperative contract price is a good value and prudent alternative to advertising for bids.
4. Include only those options needed to meet work requirements and typical comfort needs. Avoid options like fancy wheels or leather upholstery that might be perceived as luxurious or extravagant, even if there is no difference in price compared to ordinary options.
5. Specify the exterior paint color to be white. Specify another base color (preferably solid and non-metallic) if authorized or if it will demonstrably improve safety, enhance utility, or reduce cost.
6. Prepare a purchase order to the contract dealer. Depending on the cost, submit a Council Agenda Report or City Manager Report requesting approval of the purchase order.
7. Receive the unit and examine it for defects and conformance to specifications. If satisfactory, mark the dealer’s invoice “okay to pay,” initial it, and forward it to Accounting with a copy of the purchase order. Note: CMAS contracts often include substantial cash discounts for payment within a stated period of time. For this reason, invoices should be processed promptly to earn such discounts.
8. Forward any title documents to Accounting.
9. Pay any State of California CMAS invoices and charge the appropriate project account. The State assesses a nominal service charge – typically one percent of the base price – for CMAS procurements. Invoices for these service charges usually arrive two or three months after the procurement.

## Section 405-J: Procedures

### **BUYING NEW UNITS: INVITATION FOR BIDS**

*Note: Where appropriate vehicles and equipment are not available through cooperative purchasing contracts, they should be acquired new through invitations for bids.*

1. Use the standard invitation for bids (IFB) template to create the specification.
2. In Section A (Description of Work), list the dimensions, capacities, ratings, and options that will adequately describe the unit needed for the intended use. Avoid describing a unit available from only one manufacturer.
3. Include only those options needed to meet work requirements and typical comfort needs. Avoid options like fancy wheels or leather upholstery that might be perceived as luxurious or extravagant, even if there is no difference in price compared to ordinary options.
4. Specify the exterior paint color to be white. Specify another base color (preferably solid and non-metallic) if it will demonstrably improve safety, enhance utility, or reduce cost.
5. If the unit will be picked up at the dealer or delivered by common carrier, eliminate insurance requirements from Section B (General Terms and Conditions) and eliminate Section E (Insurance Requirements) from the specification.
6. Eliminate the contract requirements from Section B (General Terms and Conditions). Eliminate Section D (Form of Agreement) from the specification.
7. In Section C (Special Terms and Conditions), change language about awarding a contract to language about issuing a purchase order.
8. Along with the bid form, include a specification conformance form on which the bidder affirmatively indicates that its product meets the description included in Section A of the Invitation for Bid.
9. Depending on estimated cost, submit a City Manager Report or Council Agenda Report requesting authorization to invite bids. If a Council Agenda Report is submitted, request that the City Manager be authorized to award a purchase order if the cost is within budget.
10. Advertise for bids.
11. Open bids.
12. Prepare a purchase order to the successful bidder. Submit a City Manager Report requesting approval of the purchase order.
13. Forward the purchase order to Accounting.
14. Receive the unit and examine it for defects and conformance to specifications. If satisfactory, mark the dealer's invoice "okay to pay," initial it, and forward it to Accounting with a copy of the purchase order.
15. Forward any title documents to Accounting.

## Section 405-K: Procedures

### BUYING USED VEHICLES

*Note: Although the City's past policy has been to buy used vehicles through dealers who sell used rental vehicles for major rental companies, there have been two disadvantages with using this procedure: 1) prices have tended to be at the high end of the retail range, above what is commonly referred to as "high blue book" value and 2) long-term reliability has been dubious because of the effects of multiple drivers and hard rental service.*

*To avoid these problems and, particularly, to find vehicles in excellent overall condition with relatively low mileage and reasonable prices, the City should use local auto brokers to find suitable vehicles at auction. This approach avoids high dealer markups and allows purchases of vehicles from leased corporate fleets. Such vehicles are usually in better shape than rental vehicles because they have typically had only one driver and have been subject to strict lease conditions regarding condition and mileage at the end of the lease.*

1. Depending on estimated cost, submit a City Manager Report or Council Agenda Report requesting authorization to buy a used vehicle.
2. The Fleet Coordinator will initiate a search for a vehicle through brokers who buy and sell vehicles.
3. Select a late model, low mileage vehicle that appears to be in excellent overall condition. Consider only vehicles with options needed to meet work requirements and typical comfort needs. Avoid vehicles with options like fancy wheels or leather upholstery that might be perceived as luxurious or extravagant, even if there is no difference in price compared to ordinary options.
4. Perform a technical inspection to confirm the vehicle is in excellent condition.
5. Negotiate a purchase price, including an extended warranty as appropriate, to be included in a written buyers order from the dealer.
6. Prepare a payment voucher and submit a City Manager Report for approval authorizing the appropriate Fleet Department Head to approve the purchase.
7. Forward the payment voucher to Accounting.
8. Receive the vehicle and examine it for defects and conformance to the buyers order. If satisfactory, pick up the check from Accounting and pay the broker.
9. Forward any title documents to Accounting.

## Section 405-L: Procedures

### DISPOSING OF SURPLUS UNITS

1. When a unit is replaced or otherwise permanently removed from service, report to Accounting that it is surplus and available for sale.
2. Include in each such report the following information for each unit reported:
  - City identification number (e.g., 9901)
  - Vehicle identification number (VIN)
  - License number
  - Model year (e.g., 2005), make (e.g., Ford), and model (e.g., F-350)
  - Description (e.g., one-ton truck)
  - Assigned department (e.g., Public Works)
  - Assigned program (e.g., Signal and Light Maintenance)
  - Acquisition year (e.g., 2004-05)
  - Estimated surplus value
  - Basis of estimated surplus value (e.g., blue book, previous auction proceeds)
  - Current odometer or hourmeter reading
  - Justification for replacement
  - Current location
  - Authorization to surplus (e.g., budget document that authorized replacement or other Council authorization to replace or dispose of the unit)
3. Finance Division will dispose of surplus vehicles in accordance Section 480 of the Finance Management manual.



## Section 415

# ACCOUNTING FOR FIXED ASSETS

### OVERVIEW

The City defines Fixed Assets, for the purposes of capitalization, as long-lived tangible items that cost \$15,000 or more. Capitalized fixed assets are categorized as follows:

- Land
- Infrastructure
- Buildings and structures
- Improvements other than buildings
- Computer Equipment
- Vehicles
- Miscellaneous Equipment

Additions or improvements that significantly extend the useful life or substantially increase the operating efficiency of an asset are capitalized. Other related costs that only enable an asset to meet its original estimated useful life or operational efficiency are considered maintenance expenditures in the period incurred.

The Finance Division will record all items requiring capitalization using the Fixed Asset system. All fixed assets are valued at cost, or estimated cost, if actual cost is not available. Contributed fixed assets are recorded at estimated fair market value at the time received. The Fixed Asset System will be updated at least annually in conjunction with the annual audit.

### DEPRECIATION

Estimated useful lives are assigned to the various classes of fixed assets. Depreciation, a measure of the exhaustion of economic resources, is an allocation of the cost of a fixed asset over its useful life. Depreciation can then be used to determine the amount which must be budgeted annually to fund replacement of the item. Depreciation is calculated using the Fixed Asset System in conjunction with the annual audit.

Infrastructure items such as roads, curbs and gutters, streets and sidewalks, bridges, draining systems, and lighting systems are capitalized and depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20-100
Buildings and structures	20-50
Improvements other than buildings	10-100
Equipment	3-21
Vehicles	See section 405

Detailed information regarding useful lives is provided in the “GASB 34” report prepared for this purpose, and as noted above, fleet replacement guidelines are provided in Section 405 of the Finance Management Manual (Fleet Management).

## Section 475

# REAL PROPERTY ACQUISITION AND DISPOSAL POLICY

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*Adopted by the Council on May 18, 2010 (Resolution No. 10175 )*

## Section 475-A

# INTRODUCTION

## PURPOSE AND OBJECTIVES

### Purpose

The purpose of this policy is to set forth responsibilities and general strategies for the *acquisition and disposal of real property*, whether by sale, lease or via grants, donations, gifts, dedication or exchange.

This policy does not address *maintenance and operations* of City real property. These are covered in other policy documents that are more focused on operations. For example, the City prepares detailed Conservation Plans for each of the City's open space areas, such as Bishop's Peak, Cerro San Luis, Irish Hills Natural Reserve and Johnson Ranch, which include detailed management plans for maintenance and operations. Likewise, the City's Water and Wastewater Management Plans also address maintenance and operations of the real property used in delivering these services such as treatment plants and reservoirs.

It also does not address City "personal property," such as vehicles or computers. For example, detailed policies and procedures for the acquisition, disposal, operations and maintenance of the City's fleet are comprehensively set forth in the City's *Fleet Management Policy* (Section 405 of the Financial Management Manual); and detailed policies and procedures for the acquisition, disposal, operations and maintenance of the City's information technology assets, such as servers, printers, computer workstations and software, are provided in the City's *Information Technology Policies and Procedures Manual*.

Lastly, this policy *supplements* provisions regarding the acquisition and disposal of real property that may exist in other City policy documents: unless there are direct conflicts, it does not replace them.

### Objectives

The goal of this policy is to provide a framework for the acquisition and disposal of City real property that assures these actions:

1. Advance City plans, policies and goals, such as the General Plan (which consists of eight elements: Land Use, Circulation, Housing, Parks & Recreation and Conservation & Open Space, Noise, Safety and Water & Wastewater); Physical Concept Plan for the City's Center (Downtown Plan); Bicycle Plan; Short-Range Transit Plan; Access and Parking Management Plan; and Financial Plan and Budget.
2. Provide effective stewardship of City assets.

**MANAGEMENT STRATEGY**

*Team-Oriented Rather than Centralized or Decentralized*

The opportunities to acquire or dispose of property, whether initiated by the City or others, are infrequent. Accordingly, it does not make sense to establish a centralized real property management function for this purpose. On the other hand, a highly-decentralized approach is unlikely to be successful in achieving broader City goals and assuring effective stewardship of City assets.

For this reason, real property acquisition and disposal will be managed on a team basis, with the project manager and team members to be determined by the City Manager based on the nature of the sale or lease on a case-by-case basis. Depending on the complexity of the sale or lease, the project manager will be responsible for preparing a formal “Project Plan.”

Along with staff members, the project team may include third party, independent advisors as needed based on the nature and complexity of the sale or lease, such as appraisers, engineers, accountants, legal counsel, economists, brokers and financing consultants. These will be selected in accordance with the City’s purchasing policies.

**RESPONSIBILITIES**

**1. City Council**

- a. Adopts Real Property Acquisition and Disposal Policy.
- b. In accordance with Resolution No. 10052, approves the sale or lease of City-owned property.
- c. Determines the process that is most appropriate for the sale or lease of City property on a case-by-case basis.

**2. Planning Commission**

- a. Reviews the acquisition of City real property via its review of the Capital Improvement Plan (CIP) as part of the City’s budget process for General Plan consistency.
- b. Reviews the sale of all City-owned property for General Plan consistency.

**3. City Manager**

- a. Recommends real property management policies to the Council and oversees implementation.
- b. On a case-by-case basis, designates project manager and team members comprised of staff from various departments to manage real property acquisition and disposal projects.

## Introduction

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Along with the project manager, the project team will typically include representatives from:

- Administration
- City Attorney
- Finance Division
- Operating Department responsible for managing the property that will be disposed of or acquired
- Other City staff as appropriate

c. Makes non-substantive administrative changes to policies and procedures as required to accomplish policy objectives.

### 4. **City Attorney**

a. Serves as member of project team as set forth in the Project Plan.

b. Drafts required legal documents.

c. Manages escrow closing and other related technical duties, including review of title reports and insurance requirements to ensure encumbrances on City real property do not cloud title, whether acquired with City funds, grants, donations, gifts, dedications or exchange.

### 5. **Finance & Information Technology**

#### *Finance Division*

a. Serves as member of project team as set forth in the Project Plan.

b. Manages financing and budgeting activities, as well as processes payment for a property sale or lease.

c. Reviews all City-owned properties as part of the two-year Financial Plan development process.

#### *Information Technology Division*

d. Via the City's Geographic Information System (GIS), maintains an on-line inventory of City-owned properties and provides an annual summary report to the City Manager and department heads.

### 6. **Project Manager**

As designated by the City Manager on a case-by-case basis, provides overall planning, coordination and successful implementation of real property acquisitions and disposals.

**7. Human Resources: Risk Management**

Ensures appropriate insurance coverage for all properties; reports property acquisition and disposals to the City’s insurance carrier.

**8. City Clerk**

Maintains central records system for all real property acquisitions and disposals, including deeds and lease documents.

**9. Operating Departments**

- a. Serve as members of the project team as set forth in the Project Plan.
- b. *Operating department responsible for managing the property that will be disposed of or acquired.* Ensures compliance with any covenants or restrictions set forth in the deed or lease, including any grant or donor requirements.

**STATE AND CITY REQUIREMENTS**

While the City Attorney’s Office should always be consulted on real property acquisitions or disposals for compliance with State and City requirements, the following summarizes key guidelines:

**1. State Guidelines**

- a. *California Government Code Section 37380:* Allows City-owned property to be leased for a period not exceeding 99 years; and allows charter cities to set their own procedures for property leases.
- b. *California Government Code Section 54220:* Surplus City-owned property must first be offered to:
  - Housing authorities
  - Parks, recreations and open space areas
  - Enterprise zones
  - Schools

While these agencies have the “right of first refusal,” the City is not required to accept an offer from these entities if the terms are not acceptable to the City. Property exchanges are exempt from these provisions.

- c. *California Government Code Section 65402:* The Planning Commission must review all property acquisition and disposal proposals to determine compliance with the General Plan.

## Introduction

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- d. ***Abandonment of Parks, Street Right-of-Ways:*** There are detailed requirements that must be met in each of these cases. As such, the City Attorney must be contacted for direction on a case-by-case basis.

## 2. City Requirements

- a. ***City Charter: Article IX, Section 906:*** Authorizes the Council to adopt policies and procedures applicable to the sale or lease of City property by ordinance or resolution.
- b. ***Resolution No. 10052:*** Sets the policy authorized by the City Charter. Key provisions are that Council approval is required for any:
  - Sale of real or personal property in excess of \$1,000.
  - Lease of personal property for more than three years.

The full text of these City requirements is provided in the Appendix.

## **Section 475-B**

# **PROPERTY ACQUISITION**

## **PURCHASE**

The following guidelines apply to the purchase of real property, whether in the form of fee title, rights-of-way or easements; and whether purchased with City funds or acquired via grants, donations, gifts, dedications via the development review process or property exchanges. Prior to the acquisition of real property, a professional title search shall be completed.

### **1. Purchase with City Funds**

- a. Property purchase recommendations should normally be presented as part of the City's Financial Plan process via the recommended Capital Improvement Plan (CIP). However, as opportunities arise, the Council may consider property acquisitions at any time.
- b. Acquisition proposals should be consistent with adopted plans and policies, including the prior Financial Plans and the adopted CIP.
- c. The Council must authorize negotiations and approve the acquisition of any real property.
- d. Depending on the complexity of the transaction, market conditions and other circumstances at the time, the City may choose to be represented by a broker or other third party professionals in acquiring real property. These will be selected in accordance with the City's purchasing policies.

### **2. Acquisition Via Grants, Donations, Gifts, Dedications and Exchanges**

1. Acquisition recommendations that will be fully or partially funded from grants, donations, gifts, dedications or exchanges should follow, at a minimum, the same guidelines as acquisitions financed from City funds. Where grant fund requirements for property acquisition are different from these guidelines, the requirement with the greater public disclosure will apply.
2. Council approval of acquisitions via grants will be required in accordance with the City's Grant Management Policy (Section 740 of the Financial Management Manual).
3. In considering property donations and gifts, the City will evaluate and short and long-term maintenance and operating costs, as well as any one-time costs that might be necessary to rehabilitate properties for public use or meet building code requirements.

## **RENTS, LEASES AND MANAGEMENT AGREEMENTS**

The following guidelines apply to real property rents and leases (including management agreements) where the City will be the tenant. This need may arise for short-term uses, such as rental of interim space during construction; or ongoing operational needs, such as leases for the



## **Property Acquisition**

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City's telecommunication and radio needs at the South Street Hills and Tassajara Peak as well as cooperative use agreements with the school district for recreation programs.

1. These should normally be included as part of the City's Financial Plan process. However, as needed, the City may consider renting or leasing property as required to meet the City's operational needs at any time.
2. The approval authorization required for entering into lease agreements will be in accordance with the City's purchasing policies.
3. Depending on the complexity of the transaction, market conditions and other circumstances at the time, the City may choose to be represented by a broker or other third party professionals in renting or leasing real property. These will be selected in accordance with the City's purchasing policies.

## **Section 475-C**

# **PROPERTY DISPOSAL**

The consideration of selling or leasing City property may arise from the City's initiative to do so or may be in response to interest by others. The guidelines below cover short-term leases of City property as well as long-term leases or fee-title sales.

## **SALES AND LONG-TERM LEASES**

### **Sales Versus Long-Term Lease**

In most cases, the sale or long-term lease of City real property will have a similar practical effect: the use of City property by others for a very long time. As such, as set forth below, the basic process for the sale or long-term lease of City property will be same. The decision on whether the City goals will be better met through sale or long-term lease will be made by the Council on a case-by-case basis. Key factors to be considered include:

1. Which option represents the best financial return to the City?
2. Are the City's fiscal goals at the time best met with one-time proceeds from the sale or from a long-term income stream? For example, if the disposition is directly linked to the funding of another capital project, such as the acquisition or construction of a replacement facility, then sale may make the most sense.
3. Does the City have a long-term policy, project, program or proprietary interest in how the property is used? In this case, a long-term lease may make the most sense.
4. Is the property already fully developed, undeveloped or under-developed? If developed, was it intended to be use as leased space?
5. Are there limiting factors based on how the property was originally acquired or its initial intended use, such as grants, enterprise funds or donations) that would favor long-term leasing over direct sale?
6. What is the appropriate lease term? Depending on the circumstances, the Council is hereby authorized under this policy to enter into a lease for up to 99 years. Terms up to 99 years would be appropriate for leases where the intent, from a use and developer financing perspective, is intended to mirror a sale; but for the reasons outlined above, the City desires to retain fee-title.

In most cases, the decision will be a balancing of competing interests that can best be weighed by the Council based on the circumstances at the time.

### **Process: Determined on Case-by-Case Basis**

The City disposes of property infrequently and the most appropriate process will vary in each case depending on the circumstances. The guidelines below are intended to provide the City with a framework for assessing the best approach on a case-by-case basis. It is not intended to

## Property Disposal

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limit the approaches available to the City: the overarching principle that should always apply is using an approach that will best accomplish the City's objectives given the circumstances at the time.

As outlined below, there are five basic approaches that the City could take in determining the best long-term use of City property by others: request for proposals, broker services, exclusive negotiations, competitive sealed bids or auction (or a combination of these approaches), which will be determined by the Council on a case-by-case basis depending on the circumstances.

1. ***Request for Proposals (RFP)***. This approach makes the most sense when the City is initiating the sale or long-term lease of City property. It provides an opportunity to clearly articulate the City's policy goals and the general terms and conditions under which it will select the successful proposal. However, even with an RFP process, extensive negotiations are likely to follow the finalist selection.
2. ***Broker Services***. This approach makes the most sense for sales when the City is initiating the sale; the goal is primarily a financial one; and the conditions of the sale are straightforward. The sale of the prior Headquarters Fire Station at Pismo and Garden Streets after the construction of the replacement Fire Station No. 1 at Broad and Santa Barbara in the mid-1990's is an example of where listing the property with a broker is likely to be the best option.
3. ***Exclusive Negotiations***. This approach makes the most sense when considering the sale or lease in response to a development proposal by others. The following factors support this approach:
  - a. The City receives a written request from a proposer that sets forth its conceptual project and why it believes that exclusive negotiations are in the City's best interest.
  - b. The proposer owns or controls a majority of the privately-held property adjacent to the intended area to be developed that is integral to the proposed development and required for successful implementation of the project. In this case, the project could not occur without the developer's property and no other developer could make a similar proposal.
  - c. The proposal involves an exchange of City-owned property with the developer/property owner. In this case, the project could not occur without the developer's property and no other developer could make a similar proposal.
  - d. There is a clear link to the development proposal and accomplishment of significant City goals, plans or policies.
  - e. The proposer has a demonstrated record of completing highly successful projects in the City or similar communities.
  - f. Other circumstances where it is clearly in the City's best interest in achieving major policy objectives to enter into exclusive negotiations.

## Property Disposal

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When this approach is used, the City will enter into a formal Exclusive Negotiating Agreement which will be considered at a public meeting and clearly sets forth the terms and conditions of the negotiating period.

4. ***Competitive Sealed Bids.*** This approach makes the most sense for sales when the City is initiating the sale; the goal is primarily a financial one; the conditions of the sale are straightforward; and the City believes that it can successfully market the sale without outside professional assistance.
5. ***Auction.*** This approach is typically used for delinquent tax sales or forfeited assets. Accordingly, it is likely to be rarely used by the City.

## LEASES OF CITY-OWNED BUILDINGS AND REAL PROPERTY

The following guidelines apply to leases of City-owned buildings to outside parties.

### Leases with Non-Profit Organizations

1. Requests for the long-term use of City property by non-profit organizations should generally follow the same review procedures as the sale or lease of City property by private for-profit entities.
2. The proposed use should be consistent with the goals and objectives of the City's General Plan and not conflict or preclude any existing or planned City use.
3. Any development or operations directly related to the proposed use should have a clear and measurable community benefit in alignment with City goals, policies and plans.
4. Any lease agreements for the use of City property by non-profit organizations that charge a less than market rate for the City property should include a provision for community access and/or City use, or operate in close partnership in the delivery of City services.
5. Lessees will be responsible for all property related use taxes that may be assessed.

### Long-Term Uses

1. ***Buildings permanently intended for non-residential uses (such as retail or office) and located on land zoned for those uses***
  - a. The City may use the services of a real estate agent or broker in advertising, locating and managing the leases. This selection will be made in accordance with the City's purchasing policies. The net difference between the manager's fees and the rents collected shall accrue to the City.
  - b. For-profit entities should pay comparable market rents. Below-market rates may be considered for non-profit organizations in accordance with the guidelines above.

## Property Disposal

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- c. Unless otherwise agreed upon, lessees will be responsible for making all tenant improvements and comply with all City zoning and land use requirements, including any special conditions the City may place on the property.
- d. Lessees will conform with the City's non-discrimination requirements.
- e. Lessees will be responsible for all property related use taxes that may be assessed.

*Typical buildings in this category include: Office space located in the Marsh Street Parking Garage Structure.*

### **2. Buildings or real property permanently intended for specific City-approved purposes by others, such as cultural or agricultural uses**

- a. The lessee must be a formal, non-profit organization whose stated purpose is a public benefit aligned with the purpose and goals of the City.
- b. The proposed use must further the Council's intended goals or policies for the specific property, and shall not conflict or preclude any existing or planned City use.
- c. The proposed use should be consistent with the goals and objectives of the City's General Plan for land use.
- d. Any development of operations directly related to the proposed use must be in the public interest and supply measurable benefit to the public.
- e. The lease agreement must include a provision for community and/or City use.
- f. Lessees will be determined either by a specific organization requesting use of the building or by the City actively seeking out an organization to fulfill the Council approved use for the property.
- g. Approved lessees must conform to the City's non-discrimination requirements.
- h. Lessees will be responsible for all general maintenance and upkeep of the property and any expansion or improvement of the building, unless the Council otherwise chooses to help fund that expansion or improvement.
- i. The long-term lease will be at a rate of \$1 per year, unless the Council determines otherwise.

*Typical properties in this category include the Children's Museum, Art Center, Railroad Historic Museum and land zoned for agricultural/open space operations.*

### Interim Uses

3. ***Buildings on land eventually intended for other purposes, which are available for interim residential use and located on land zoned for that use***

- a. Unless there are compelling reasons otherwise, the property will be managed by the San Luis Obispo Housing Authority. Each property will be evaluated on its particular merits and an appropriate agreement will be developed between the City and the Housing Authority.
- b. For any properties acquired that are already being successfully managed by a property management company, the City may continue this relationship.

*Typical buildings in this category include: residential units along Bullock Lane that were acquired for eventual demolition for needed right-of-way for the Orcutt Road improvements.*

4. ***Buildings on land eventually intended for other purposes, which are available for interim uses on land zoned for other than residential uses***

- a. The Council will determine the best use of the property on a case-by-case basis.
- b. Unless there are compelling reasons otherwise, if the interim use is residential in nature even though the property is located on land zoned for non-residential uses, the property will be managed by the San Luis Obispo Housing Authority. In this case, each property will be evaluated on its particular merits and an appropriate agreement will be developed between the City and the Housing Authority. For any residential properties acquired that are already being successfully managed by a property management company, the City may continue this relationship.
- c. For non-residential uses, the City may use the services of a real estate agent or broker to advertise the property, and locate and manage lessees. This selection will be made in accordance with the City's purchasing policies. The net difference between the manager's fees and the rents collected shall accrue to the City. The City will provide direction to the property manager as to the length of the lease term, since business/office users that install tenant improvements generally want lease terms long enough to recover those costs.
- d. Lessees will pay comparable market rents. Below-market rates may be considered for non-profit organizations in accordance with the guidelines above.
- e. Lessees must conform with the City's non-discrimination requirements.
- f. Unless otherwise agreed upon, lessees will be responsible for making all tenant improvements and comply with all City zoning and land use requirements, including any special conditions the City may place on the property.

## Property Disposal

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*Typical buildings in this category include: properties acquired for the Palm/Nipomo Parking Structure*

### **RIGHT-OF-WAY**

Right-of-way disposals may be initiated by the City or in response to public requests. Right-of-way will only be abandoned when it has no apparent current or future use. The following guide the disposal of right-of-way:

1. The City will follow requirements of the State of California Streets and Highways Code in acquiring, disposing and abandoning public right-of-way.
2. Right-of-way that has been purchased in fee or easements purchased with City funds will be sold or leased in accordance with the policies above.
3. Easements used for utility transmission and distribution systems will normally be reserved. If the utility previously using the easement declines further use, the City will offer it to other utilities before abandonment.
4. The City may place conditions of approval on right-of-way abandonments that must be satisfied prior to transfer of ownership of the subject easement or property.
5. The City may reserve an easement for its water and sewer system or may reserve a blanket easement for all utilities.
6. The City will not guarantee the title of right-of-way it abandons.

## Appendix

### **CITY CHARTER ARTICLE IX, SECTION 906**

#### **906 Sale or Lease of City Property.**

The City Council, by ordinance or resolution, shall adopt policies and procedures that shall be applicable to the sale or lease of City property.



**RESOLUTION NO. 10052**

**RESOLUTION NO. 10052 (2009 Series)**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN LUIS OBISPO  
SETTING POLICIES FOR THE SALE OR LEASE OF CITY PROPERTY**

**WHEREAS**, in November 2008, City voters approved an amendment to Section 906 of the City Charter that provides for Council adoption by ordinance or resolution of policies and procedures that shall be applicable to the sale or lease of City property; and

**WHEREAS**, the Council desires to adopt policies governing authority for the sale or lease of City property that are similar to those in that were place in the City Charter prior to November 2008, except for an adjustment in the amount to account for the passage of time.

**NOW, THEREFORE, BE IT RESOLVED** by the Council of the City of San Luis Obispo as follows: No sale or lease of real property nor any sale of personal property of a value in excess of one thousand dollars (\$1,000.00) nor any lease of personal property for a period exceeding three (3) years shall be authorized by the Council except by resolution passed by the affirmative vote of three-fifths (3/5) of all the members of the Council.


Upon motion of Vice Mayor Settle, seconded by Council Member Marx, and on the following vote:

AYES: Council Members Carter and Marx, Vice Mayor Settle and Mayor Romero  
NOES: None  
ABSENT: Council Member Ashbaugh

The foregoing resolution was adopted this 20<sup>th</sup> day of January 2009.

  
David F. Romero, Mayor

ATTEST:

  
Audrey Hooper  
City Clerk

APPROVED AS TO FORM:

  
Jonathan P. Lowell  
City Attorney

R 10052

## **Section 480-A**

# **SURPLUS PERSONAL AND UNCLAIMED PROPERTY POLICY**

## **OVERVIEW**

This policy addresses the procedures for the disposal of surplus personal property, unclaimed property, consumable supplies, and junk. The policies and procedures for the disposal or sale of surplus real property, abandoned property and resale inventory are provided in other policy documents.

In preparing this policy, not all issues or exceptions could be anticipated. Accordingly, the guidance given in this policy does not relieve Staff from exercising good judgment in their stewardship of the City's property resources. Whenever there is a question or doubt between the guidance provided in this policy and the good judgment expected of a prudent person, good judgment should always be the prevailing standard, with this policy as a minimum standard.

A flow chart of the surplus property disposal process is provided in Exhibit A, and a Glossary of the terms used in this policy is provided in Exhibit B.

## **LEGISLATIVE POLICY**

### **A. Surplus Property**

Section 906 of the City Charter provides that the Council must approve the sale of surplus property (real or personal) with an estimated value greater than \$100.

### **B. Unclaimed Property**

1. Chapter 3.32 of the City Municipal Code provides for the disposal of unclaimed property by the Chief of Police. This property must be held for a minimum of four months and notice of sale must be given at least five days prior to sale by publication in a newspaper of general circulation. Property not sold may be destroyed by the Police Department after public auction.
2. Sections 2080.4 and 2080.6 of the Civil Code requires any person finding property valued at \$10.00 or more to turn the property over to the Police Department within a reasonable time, stating when and where the property was found and providing a description of the property. If the property was saved, a statement is required from the "finder" describing:
  - a. From what and how it was saved.
  - b. Whether the owner of the property is known to the "finder".
  - c. That the property has not been secreted, withheld, or partially disposed.

## **Surplus Personal and Unclaimed Property Policy**

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### **ADMINISTRATIVE POLICY**

- A. The Director of Finance & Information Technology (IT) is authorized to declare as surplus those items of personal property and consumable supplies estimated to be less than \$100 in value; Council approval is required to declare personal and consumable supplies as surplus with a value of \$100.
- B. Department Heads are authorized to approve the disposal of property that is essentially without value due to technical obsolescence or its unrepairable (or economically unrepairable) condition. Department Heads may dispose of such junk property in the manner they deem most appropriate, consistent with other rules, regulations, and the City's ethics policy.
- C. Generally, estimating the value of surplus property is made by the Department Head or designated representative. In unique and unusual cases, Finance will assist Departments in estimating the value of property by using the City's auction firm to provide a professional estimate. However, in all cases, the Department Head must approve in writing the estimated value of the property to be sold or otherwise disposed.
- D. The Director of Finance & IT is authorized to sell, transfer, trade, or otherwise dispose of surplus personal property, consumable supplies, or unclaimed property in the most cost effective manner. Normally the sale of this property will be at auction with a firm contracted to provide the following services:
  - 1. Sell and dispose of personal property, consumable supplies and unclaimed property at auction.
  - 2. Provide professional estimates as to the value of personal property and consumable supplies when required.
  - 3. Assist in the sale of unique or special property and consumable supplies that requires the use of a "specialty house" to sell or dispose of the property.
  - 4. Dispose of unsaleable property, supplies and equipment at an approved disposal site.
- E. The Director of Finance & IT may dispose of surplus property and supplies by transfer to another local government agency or non-profit organization based on the recommendation of a Department Head. Although there may be circumstances where it is appropriate to make such transfer without compensation, cash or in-kind services should generally be received in an amount equal to or greater than the estimated value provided by the City's auction firm or the Department Head. In the case of vehicles, "low blue book value" may also be considered.
- F. When it is a normal business practice, trade value should be obtained to determine the most cost effective method of disposal and as a standard by which to evaluate the services of the City's auction firm. There may be circumstances when trade value of

## **Surplus Personal and Unclaimed Property Policy**

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property may exceed auction value, in which case the Director of Finance & IT may authorize the trade of surplus property versus sale at auction based on the recommendation of the appropriate Department head.

- G. Advertising the sale of the City's property and unclaimed property will be made by the City's auction firm in accordance with these procedures, the Auction Services Agreement, and legislative policy. Accordingly, the advertising must disclose that the property for sale at auction is either the surplus property of the City of San Luis Obispo or is unclaimed property in the possession of the City and it must state the date and time of sale. Property sold at auction will be advertised at least five days in a newspaper of general circulation in the City of San Luis Obispo.
- H. Property determined to be unclaimed by the Chief of Police may be sold at public auction in accordance with these policies and procedures under the following conditions:
  - 1. It is a thing which is commonly the subject of sale.
  - 2. The owner cannot (with reasonable diligence) be found.
  - 3. The owner, if identified, refuses to pay the reasonable charges incurred by the City for storing and safeguarding of the property.

## **PROCEDURES**

- A. Surplus Personal Property and Consumable Supplies
  - 1. Department Heads will identify personal property and supplies that are surplus to their needs and notify the Director of Finance & IT by Memorandum to sell or dispose of property identified, in accordance with City policy and procedures. The property to be declared surplus will be listed and include the City Asset Number (if applicable), a descriptive name of the property, quantity, pickup location, estimated value, and name of the contract person with their extension number. Separate memorandums must be prepared for property estimated to exceed \$100 in value and for property estimated to be less than \$100 in value. The memorandum (or listing) must indicate why the property is no longer required. The form provided at Exhibit C is to be used for this purpose and is expected to be handwritten.
  - 2. Department Heads may request that Finance assist them in estimating the value of personal property and consumable supplies. In such instances, Finance may request the services of the City's auction firm in estimating these values. However, these services are limited and should not be used except for unique and unusual property.
  - 3. Special handling will be required for the disposal of toxic and hazardous materials, and should be coordinated with the City's Fire Department.

## **Surplus Personal and Unclaimed Property Policy**

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4. After receipt of a request to dispose of personal property and consumable supplies from a Department Head, Finance will circulate the list of property to other City Departments as an advisory memorandum. The property listed may be claimed by other Departments on a first come first serve basis. After 10 days from the date of the advisory memorandum, this listing will be forwarded to the Housing Authority, San Luis Coastal Unified School District, and United Way for their information. If none of these agencies expresses interest in the remaining property items within 10 days of receiving the listing, then the property will be consigned to the City's auction firm for sale or other method of disposal as determined by the Director of Finance & IT. Except in unusual circumstances, surplus property will generally remain on site pending its final disposition. This means that it is the responsibility of the interested party to make arrangements with the disposing department to view the property, discuss its condition, and coordinate any terms of transfer such as price, timing, and transportation.
5. For property with a value of \$100 or more, the Director of Finance & IT will prepare an Agenda Report for Council approval to declare the property as surplus after review by the operating departments as described above and prior to the consignment of property to the City's auction firm.

### **B. Evidence**

The provisions of this policy do not address the disposal of property which is classified as evidence. Evidence is governed by the provisions of the penal code and must be dealt with accordingly. For example, evidence may be returned to the owner, subjected to lien, or classed as contraband and accordingly destroyed. However, evidence may also be determined by the Chief of Police to be unclaimed property and, in that event, will be processed in accordance with the policies and procedures provided below.

### **C. Unclaimed Property**

Unclaimed property received by the City will be processed as follows:

1. The Police Department is required to receive, hold, and safekeep all property valued at more than \$10 that is found within the City limits and turned in to the Police Department for safekeeping. The owner will be notified as to where the property may be claimed if the owner's identity can reasonably be determined.
2. If the owner appears within 120 days after receipt of the property by the Police Department, proves ownership, and pays all reasonable charges, the Police Department will return the property to the owner.
3. If the reported value of the property is fifty dollars or more (and no owner appears and proves ownership within 120 days), the Police Department will publish a notice, at least once, in a newspaper of general circulation. After seven days following the first published notice the following actions will be taken if no owner appears and proves ownership of the property;

## **Surplus Personal and Unclaimed Property Policy**

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- a. If the property was found in the course of employment by a City employee, the property shall be sold at public auction.
- b. The title shall vest in the person who found the property if he or she is willing to pay the cost of the publication.
- c. If the reported value of the property is less than \$50 and no owner appears and proves ownership of the property within 120 days, the title shall vest in the person who found the property, unless the property was found in the course of employment by a City employee, in which case the property shall be sold at public auction.
- d. Generally, the sale of unclaimed property will be made by the City's auction firm; however, in unique circumstances, the Chief of Police may request that Police Department staff conduct the auction. When the City's auction firm is used, the firm must be notified in writing with a list of property to be sold. This list does not require a statement of estimated values. The letter will give the name of the contact person and extension number, a short title property description, a pickup location, and a pickup time.
- e. Prior to sale, a listing of unclaimed property shall be provided to the Director of Finance & IT, who will circulate this list as an advisory memorandum to other City Departments. The property listed may be claimed by other Departments on a first come first serve basis. After a 15 day period from the date of the advisory memorandum, the unclaimed property will be available for sale at public auction according to policy.
- f. The unclaimed property to be sold by the City's auction firm will be transferred on consignment in accordance with the surplus property policies.
- g. Any property remaining unsold after being offered at public auction may be destroyed or otherwise disposed of by the City's auction firm.

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*Approved by the City Manager on March 1, 1990; revised on January 14, 1994.*

## **Section 480-B**

# **AUCTION FIRM SERVICES**

### **OVERVIEW**

To reduce staff time in the sale and disposal of property, to reduce the amount of space being used to store surplus and unclaimed property, to improve the process of estimating the value of surplus property, and to maximize the value of return on surplus property, the Department of Finance & IT is authorized to contract with an auction firm to assist staff in the sale and disposal of personal property, consumable supplies and unclaimed property on an "as available basis" after authorization is given by the Council or the Director of Finance & IT to sell or dispose of City property.

The policies and procedures provided below in conjunction with the City's auction firm will provide the staff with the opportunity to systematize the sale and disposal of this property.

### **AUCTION FIRM RESPONSIBILITIES**

The following responsibilities will normally be assigned to the City's auction firm by Agreement between the City and the firm selected:

- A. The auction firm will be required to pickup any and all "marketable" surplus property by consignment and deliver this property to their premises where it shall be inventoried, sorted, identified, and catalogued. An auction will be conducted within 30 days of receipt of property and supplies.
- B. The auction firm will make the necessary arrangements for offering the property for sale by auction to the most qualified buyers to obtain the highest return possible. The auction firm will advertise the auction in a manner that will obtain the maximum participation by the public in at least one newspaper of general circulation in the City of San Luis Obispo for a minimum of five days prior to a scheduled auction.
- C. The property consigned to the auction firm will remain the property of the City until sold or disposed in accordance with these procedures.
- D. Property not sold at auction will be disposed by on of the following methods:
  - 1. Consignment to a sub-contractor specializing in unique or special equipment and material for which there is no local market.
  - 2. Direct sale to a buyer of unique or special equipment and material for which there is no local market.
  - 3. By sale as salvage to a local dealer or any recycling firm.
  - 4. By destruction at an appropriate landfill site and certification thereto.
  - 5. Returned to the City.
- E. The material and equipment not sold at auction will be disposed of by one of the methods described above within 15 days from the date offered at auction. For the purpose of these

## **Auction Firm Services**

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instructions, the City will give approval as to the disposal method based on the recommendation of the auction firm and the method that is in the best interests of the City.

- F. The auction firm will provide the Department of Finance & IT with a list of consigned property with a check for the net proceeds from the auction or specialty sale within 60 days of receipt of consigned material and equipment providing the following information:
1. City Asset number (if available)
  2. Short title description of the property
  3. Date of sale or disposal
  4. Purchaser or the disposal site
  5. Total purchase price
  6. Auction fee
  7. Net to City
  8. Method of disposal (sale at auction, transfer to a specialty house for sale, direct sale as salvage, transfer to an appropriate landfill or disposal site, return to City)



## **Section 501**

### **INTRODUCTION**

The purpose of this section is to describe the City's budget policies and procedures. Areas currently covered include:

- Overview of the City's budget process (Section 505)
- Budget amendment requests (Section 540)
- Reappropriation policy for operating programs and capital improvement plan projects (Section 550)
- Monitoring budget performance—monthly expenditure reports and comprehensive annual financial report (Section 560)
- Accounting for completed capital improvement plan (CIP) projects (Section 565)

## Section 505

# BUDGET PROCESS OVERVIEW

The City of San Luis Obispo has received national recognition for its use of a two-year Financial Plan and budgetary process that emphasizes long-range planning and effective program management. Significant features of the City's two-year Financial Plan include the integration of Council goal-setting into the budgetary process and the extensive use of formal policies and measurable objectives. The Financial Plan includes operating budgets for two years and a capital improvement plan (CIP) covering four years.

While appropriations continue to be made annually under this process, the Financial Plan is the foundation for preparing the budget in the second year. Additionally, unexpended operating appropriations from the first year may be carried over for specific purposes into the second year with the approval of the City Manager.

**Purpose of the City's Two-Year Financial Plan.** The fundamental purpose of the City's Financial Plan is to link what we want to accomplish for the community with the resources necessary to do so. The City's Financial Plan process does this by: clearly setting major City goals and other important objectives; establishing reasonable timeframes and organizational responsibility for achieving them; and allocating resources for programs and projects.

**Major City Goals.** Linking important objectives with necessary resources requires a process that identifies key goals at the very beginning of budget preparation. Setting goals and priorities should drive the budget process, not follow it.

For this reason, the City begins each two-year Financial Plan process with a series of in-depth goal setting workshops where Council members invite candidate goals from community groups, Council advisory bodies and interested individuals; review the City's fiscal outlook for the next five years and the status of prior goals; present their individual goals to fellow Council members; and then set and prioritize major goals and work programs for the next two years. City staff then prepares the Preliminary Financial Plan based on the Council's policy guidance.

**Financial Plan Policies.** Formally articulated budget and fiscal policies provide the foundation for preparing and implementing the Financial Plan while assuring the City's long-term fiscal health. Included in the Financial Plan itself, these policies cover a broad range of areas such as user fee cost recovery goals, enterprise fund rates, investments, capital improvement management, capital

financing, debt management, fund balance and reserves, human resource management, and productivity.

**Preparation and Review Process.** Under the City Charter, the City Manager is responsible for preparing the budget and submitting it to the Council for approval. Although specific steps will vary from year to year, the following is an overview of the general approach used under the City's two-year budgetary process:

**First Year.** As noted above, the Financial Plan process begins with a Council goal-setting session to determine major objectives to be accomplished over the next two years. The results of Council goal-setting are incorporated into the budget instructions issued to the operating departments, who are responsible for submitting initial budget proposals. After these proposals are comprehensively reviewed and a detailed financial forecast is prepared, the City Manager issues the Preliminary Financial Plan for public comment. A series of study sessions and public hearings are then held leading to Council adoption of the Financial Plan by June 30.

**Second Year.** Before the beginning of the second year of the two-year cycle, the Council reviews progress during the first year, makes adjustments as necessary, and approves appropriations for the second fiscal year.

**Mid Year Reviews.** The Council formally reviews the City's financial condition and amends appropriations, if needed, six months after the beginning of each fiscal year.

**Interim Financial and Project Status Reports.** On-line access to "up-to-date" financial information is provided to staff throughout the organization. Additionally, comprehensive financial reports are prepared monthly to monitor the City's fiscal condition, more formal reports are issued to the Council on a quarterly basis, and special report are provided on focused topics on an ongoing basis on sales tax, transient occupancy tax and investments. The status of major program objectives – including CIP projects – is also periodically reported to the Council on a formal basis.

**Administration.** As set forth in the City Charter, the Council may amend or supplement the budget at any time after its adoption by majority vote of the Council members. The City Manager has the authority to make administrative adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end fund balances.

## Section 540

# BUDGET AMENDMENTS

### OVERVIEW

Formal amendments to the budget (including increases or reductions in both revenues and expenditures) may be required for a variety of reasons, including:

- Supplemental appropriations approved by the Council.
- Changes in Memorandums of Agreement.
- Acceptance of grant programs.
- Revisions to currently funded programs, projects and activities.
- Intra-departmental revisions between and within program areas.

A standard *Budget Amendment Request* form is used to document all budget changes. Amendments to the budget that do not have significant policy impacts and will not affect budgeted fund balances or working capital may be administratively approved; all other changes require Council approval.

### POLICIES

#### Budget Control

Through adoption of the two-year Financial Plan, the Council sets major City goals and program objectives, approves timeframes and departmental responsibility for accomplishing them, establishes service levels, and appropriates the resources necessary to achieve objectives and deliver services.

Under our program budgeting approach, departments are provided with significant flexibility in managing the resources allocated to them for these purposes: although detail line item budgets are prepared for each of our operating programs, formal budget control is maintained at the fund level by department. However, in order to help assure that this overall budgetary control goal is achieved, more detailed financial reporting and budget control guidelines are internally used at the program and object level as more fully discussed in *Section 560: Monthly Expenditure Reports* of the Financial Management Manual.

#### Budget Amendment Authority

- **Council.** As provided under City Charter, the Council has the sole responsibility for adopting the City's budget, and may amend or supplement the budget at any time after its adoption by majority vote of the Council. After budget adoption, all supplemental appropriations from fund balance or working capital require Council approval.
- **City Manager.** The City Manager has the authority to make or approve administrative adjustments to the budget as long as those changes will not have significant policy impacts nor affect budgeted year-end fund balances or working capital.

## Budget Amendments

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- **Director of Finance & Information Technology.** The Director of Finance & Information Technology (IT) has the authority to make or approve administrative adjustments to all line item accounts at the department and program level, and to adjust offsetting revenue and expenditure accounts based on policies or programs approved by the Council. However, any such adjustments must not have significant policy impacts nor affect budgeted year-end fund balances or working capital.
- **Department Heads.** Department Heads have the authority to make administrative adjustments within and between their program budgets as long as those changes do not have significant policy impacts nor affect department totals at the fund level. However, even within these guidelines, budget amendments require City Manager approval under the following circumstances:
  - **CIP projects.** All budget changes to capital improvement plan (CIP) projects.
  - **Staffing.** All budget changes to staffing accounts, both within and between programs. Note: In accordance with the City's line item control policies as set forth in Section 560, *Budget Amendment Requests* are not required to correct for overages for sub-object level overtime accounts within the program.
  - **Travel, meetings and dues.** Any budget increases in this object code at the departmental level. This means Department Heads may approve inter-program budget changes in this object code as long as departmental totals for it are not higher.

### Budget Amendment Request

To ensure that all changes to the budget are correctly recorded and appropriately authorized, a standard *Budget Amendment Request* form is used to document all budget changes, including those approved by the Council. As such, any Council Agenda Report that amends the budget should be accompanied by a completed *Budget Amendment Request* when submitted to the Director of Finance & IT as part of the agenda review process; however, as noted below, it will not be included with the Council Agenda packet.

### PROCEDURES

- **Initiating the Amendment.** The operating department requesting an amendment is responsible for completing the *Budget Amendment Request*. If the request requires a new program or account number, the Department of Finance & IT should be contacted before completing the form for the assignment of appropriate account numbers. Department Head approval of the request is required before its submission to the Department of Finance & IT.
- **Finance Review.** All requests should be submitted to the Finance Manager who will review the request to determine the affect of the change on fund balances and to verify the account numbers. If required, the request will be forwarded for approval to the Director of Finance & IT; as determined by her or him, approval by the City Manager may also be required.

## Budget Amendments

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- **Human Resources Review.** All requests that affect staffing accounts require review and approval by the Human Resources Director.
- **Council Agenda Reports.** *Budget Amendment Requests* that are related to a Council agenda report will be pulled by the Department of Finance & IT and held pending Council action. If the Council approves the item, the request will be processed by the Department of Finance & IT without further action required by the department. Items disapproved or changed by the Council will be returned to the originating department for further action as appropriate.
- **Implementation.** After the *Budget Amendment Request* has been submitted and approved, the operating department should review the next Monthly Financial Report to ensure that the change has been processed as requested.

### PREPARING THE BUDGET AMENDMENT REQUEST

The *Budget Amendment Request* form has been placed on the City's intranet.

Provided in Exhibits 1 and 2 are completed samples of the *Budget Amendment Request* form. (Note: The request does not have to be entered in Excel or typed; legible printing is the desired method of preparation if data is not entered into a spreadsheet.) As this form updates on-line budgetary information as well as Monthly and Quarterly Financial Reports, its timely completion is essential in maintaining the accuracy of these reports.

Completing the form itself is largely self-explanatory. The following highlights key areas to consider in preparing the form:

- **More than One Department.** The signatures of all Department Heads are required if more than one department is affected.
- **More than One Fund.** Only one fund should be affected per form to ensure that any budget transfers between funds will not result in changes in ending fund balance for any of the funds.
- **Regular Staffing.** When proposing to use savings from regular staffing costs to fund other cost areas, the contra-account of *Salary Savings (707)* should be used instead of directly reducing all the other affected line accounts (regular salaries as well as related benefits). This approach has several benefits: it reduces the number of specific line item accounts that would otherwise have to be adjusted to correctly reflect the savings; and it retains the budgeted cost for authorized regular staffing levels for information and financial reporting purposes.
- **City Manager Approval.** Whenever City Manager approval is necessary as discussed above, the *City Manager Report Transmittal Form* should accompany the *Budget Amendment Request*. If the reason for the request is a straightforward one and can be adequately described in the space provided on the form under "purpose," no formal report preparation (other than preparing the transmittal form) is required.

## Budget Amendments

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- **Council Approval.** The Council must approve all budget amendments under the following circumstances.
  - Total amendments for expenditures *do not equal zero*. In the sample provided in the first exhibit, Council approval would not be required. However, because staffing accounts are affected, Human Resources Director review and City Manager approval would be required.
  - Total amendments for revenues and expenditures *are not equal*; in the sample provided in Exhibit 2, Council approval would be required.
- **Reason for the Amendment.** In most cases, the space provided on the form under “purpose” should be sufficient to describe the need for the requested change (supporting documentation may be attached if appropriate but it is not required). If the amendment implements Council or prior City Manager approval of a budget change, the date of this action should also be referenced in this section.

### EXHIBITS

1. Sample budget amendment request reflecting administrative line item adjustments.
2. Sample budget amendment request reflecting Council approval of new appropriation.

*Revised policy approved by the City Manager in July 2001 (original policy issued in 1988 and revised by the City Manager in January 1996); minor modifications made by Finance & IT in July 2004.*

## Exhibit 1: Sample Budget Amendment Request *Administrative Approval*



**city of san luis obispo**  
**BUDGET AMENDMENT REQUEST**

NUMBER

Requesting Department	Fund Name	Fund No.
Finance	General	100

**REVENUES AND OTHER FINANCING SOURCES**

Account Description	Revenue Account No.	Amendment Amount
<b>TOTAL</b>		0

**EXPENDITURES AND OTHER FINANCING USES**

Account Description	General Ledger No.		Capital Project No.		Amendment Amount
	Program	Account	Project	Phase	
Temporary Salaries	25300	7014			5,000
Overtime	25300	7020			3,500
Wide Area Network Services	25300	7351			4,500
Salary Savings	25300	707			(11,000)
Contract Services	25120	7227			(2,000)
<b>TOTAL</b>					0

*Because staffing accounts are affected, approval by Human Resources and the CAO is required. Otherwise, this request could be approved by the Department Head.*

*Because the net effect is zero, Council approval is not required.*

**PURPOSE**

Use salary savings from two vacant positions in Information Systems and other contract savings to backfill minimum support needs for the next three months with temporary staff, overtime and contracts.

Department Head	Date	Director of Finance	Date
Sara Elspeth	1/14		
City Administrative Officer	Date	Entered By	Date

## Exhibit 2: Sample Budget Amendment Request Council Approval



**city of san luis obispo**  
**BUDGET AMENDMENT REQUEST**

NUMBER

Requesting Department	Fund Name	Fund No.
Public Works	Capital Outlay	400

**REVENUES AND OTHER FINANCING SOURCES**

Account Description	Revenue Account No.	Amendment Amount
Proceeds from Bond Sales		500,000
Transportation Impact Fees		325,000
<b>TOTAL</b>		<b>825,000</b>

**EXPENDITURES AND OTHER FINANCING USES**

Account Description	General Ledger No.		Capital Project No.		Amendment Amount
	Program	Account	Project	Phase	
Street Resurfacing	90012	990			(165,000)
Mathews Property	90347	990			1,095,000
Acquisition			53900347	90550	885,000
Environmental Review			53900347	90557	25,000
Site Preparation			53900347	90555	35,000
Design			53900347	90552	50,000
Construction			53900347	90553	100,000
<b>TOTAL</b>					<b>930,000</b>

*Because the net effect is not zero, Council approval is required.*

**PURPOSE**

Funding for Mathews property purchase and improvements per Council approval of 11/3.

Department Head	Date	Director of Finance	Date
James Logan	10/23		
City Administrative Officer	Date	Entered By	Date



## Section 550-A

# BUDGET CARRYOVER: OPERATING PROGRAMS

## OVERVIEW

Under the City's Financial Plan policies, operating program appropriations not spent during the first year may be carried over for specific purposes into the second year with the approval of the City Manager. The purpose of the following procedures is to set forth the administrative framework for implementing this aspect of our two-year Financial Plan.

## GOALS

Allowing for the carryover of unexpended operating appropriations from the first year of the Financial Plan into the second year assists in achieving three key financial management goals:

- Mitigating against the “use it or lose it” mentality that can exist under one-year budget practices when all unspent appropriations lapse at year-end.
- Providing departments with incentives for effectively using their operating budget.
- Ensuring resource continuity in accomplishing multi-year objectives. Linking resources with what we want to accomplish, and establishing reasonable timeframes for doing so, are underlying principles of our two-year financial planning approach. Because of this, ensuring full funding for multi-year program objectives and projects is the highest priority use of carryover balances.

## PROCEDURES

### First Year Versus Second Year Unexpended Balances

- **First Year.** Under the conditions set forth below, unexpended balances from the first year of the two-year financial plan are available for carryover into the second year with the approval of the City Manager.
- **Second Year.** All operating budget appropriations lapse at the end of the second year.
- **Carryovers for Encumbrances.** In either year, unexpended funds will be carried-over and reappropriated to meet encumbrance obligations (unexpended balances remaining on contracts or purchase orders).

### Annual Reports on Departmental Spending for Operating Programs

At the end of each fiscal year, department fiscal officers are responsible for preparing concise reports that analyze departmental spending for each of their programs. Although the specific contents and deadlines for submitting these reports will vary from year to year, they will generally:

## **Budget Carryover: Operating Programs**

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- Compare budget appropriations with actual expenditures by program and by type.
- Identify reasons for any significant budget overages or underages; and analyze their impact on future operating budgets:
  - Are the variances one-time in nature or will they continue into the foreseeable future?
  - If the variances reflect continuing trends, are they reflected in current budgets?

Reports at the end of the first year will also:

- Identify specific carryover balances that should be reappropriated in order to maintain overall funding levels for multi-year program objectives or projects. This will be the highest priority use of any carryover funds.
- Recommend remaining unencumbered balances that should be carried-over for reappropriation by the City Manager.

### **Determining Balances Available for Carryover into the Second Year**

- The total of all favorable non-staffing variances (supplies, services, or minor capital) are available for carryover with the approval of the City Manager, and will be generally aggregated by department at the fund level. Under this approach, program overages within the department may be offset by program underages. However, in no case may departmental overages in one fund be offset by departmental savings in another.
- Favorable variances from staffing related expenditures may be reappropriated by the City Manager on a case-by-case basis depending on the circumstances that generated the savings and their proposed use. Successful requests will usually form some nexus between the reason for the savings and their proposed use. Any such requests and their justification should be included in the department's year-end report.
- The total amount of carryover can never be greater than the net amount that the actual ending fund balance or working capital was greater than projected. This means that the amount available for carryover by each department may be reduced by any amount that revenues or other financing sources (uses) were less than projected, including any departmental budget overages.
- After adjusting for encumbrances and any resource shortfalls or departmental budget overages, the highest priority use of carryover balances will be fully funding multi-year program objectives and projects. This means that the level of carryover funding otherwise available to other departments or programs may be further reduced in order to ensure full funding for these multi-year objectives.

### Reappropriation Approvals

The City Manager is authorized to program carryover balances for reappropriation except under the following conditions, when Council approval is required:

- Funding a new CIP project.
- Authorizing increases in regular staffing.
- Implementing new programs that have significant ongoing budget implications.

Any purchases using carryover balances are subject to the City's standard purchasing policies and procedures. This may result in the need for subsequent Council approval from a purchasing—not budgetary—perspective.

### Accounting for Carryover Balances

- ***Year-End Reports: Finance.*** Finance will provide departments with an initial balance of operating funds available for carryover by August 15 of each year. Departmental year-end reports and any requests for carryover will be based on this report. Although Finance will strive to make these balances as accurate as possible, carryover balances are subject to subsequent modification after completion of the audit. If changes are necessary due to auditor adjustments to operating expenditure balances, or because insufficient ending fund balances are available to support the operating carryovers, the Department Heads will meet to advise the City Manager on the best way to adjust carryover balances.
- ***Year-end Reports: Operating Departments.*** In their year-end reports, departments will identify the following:
  - Amounts to be carried over for multi-year program objectives and projects; brief description of these objectives and their status; and basis for determining the amount to be carried-over.
  - Any requested amounts for carry-over from staffing savings; description of proposed use of these amounts; and the relationship of the staffing savings to the proposed use.
  - Amounts to be carried-over for general purposes. This reflects the amount available for "general" carry-over after adjusting for encumbrances, multi-year program objectives, and staffing savings. As described below, this balance will be placed in a general carryover account for each department (line item 930.900).
  - Accompanying the year-end report and request for carryover balances will be a budget amendment request distributing the requested amounts to appropriate line item accounts.

### Uses of Carryover Balances

- ***Accounting for Carryover Balances.*** Encumbrance balances and carryovers for multi-year program objectives and projects will be re-budgeted into the appropriate line item accounts based on year-end reports. General carryover balances will be retained on a departmental basis and placed in the "general carryover" account for each department (line item 930.900).

No expenditures are to be made by departments directly to the "general carryover" account; use of these amounts requires the case-by-case approval by the City Manager and allocation to the appropriate program line item accounts via a budget amendment request form. This is the simplest way of retaining balances for departments. However, for this approach to work, departments must take responsibility for not implicitly (or explicitly) using these balances to compensate for overages in other line item accounts without the specific approval of the City Manager.

- ***City Manager Approval.*** As noted above, use of general carryover balances requires the case-by-case approval of the City Manager via CM Report. More than one specific use of carryover balances may be included in a single report. The use of general carryover balances is most appropriate in the following circumstances:
  - Implementing pilot programs that demonstrate opportunities for improving productivity, enhancing customer service, or meeting an identified community need.
  - Making capital investments that will improve productivity or reduce future operating costs.
  - Funding one-time expenditures that meet identified organizational or community needs, with special emphasis on deferred facility or infrastructure maintenance.
  - Addressing any shortfalls in base second-year operating program budgets.

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*Originally approved by the City Manager on July 14, 1994; amended by the City Manager on May 16, 1996.*

## **Section 550-B**

### **BUDGET CARRYOVER: CIP PROJECTS**

Under the City's Financial Plan policies, annual appropriations for designated capital improvement plan (CIP) projects lapse after three years unless funds are subsequently appropriated for specific project phases (such as study, design, acquisition or construction). This usually occurs at the time of contract award.

The following sets forth basic procedures for implementing this aspect of the City's Financial Plan policies.

#### **BUDGET BALANCE CARRYOVER**

Budget balances at the end of each year will be carried-over in their entirety on a project-by-project basis.

#### **LAPSED PROJECTS**

In the event that funding will lapse because sufficient progress has not been made in studying, designing, acquiring or constructing projects within the three-year timeframe following Financial Plan adoption, the managing department will either:

- Resubmit the project for consideration in a subsequent capital improvement plan.
- Present a report to the Council recommending that the project be eliminated or indefinitely deferred. This report may be prepared on a "case-by-case" basis or incorporated into the overall budget review and approval process.

## Monitoring the City's Fiscal Performance

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### OVERVIEW

Staying on top of the City's fiscal condition on an ongoing basis—on both the revenue and expenditure side of the equation—is an essential part of our overall strategy for preserving our fiscal health. The following summarizes how we report on this at the Council and staff level.

#### *Core Principles*

There are four core principles underlying our fiscal monitoring and reporting efforts:

- 1 Strong Systems.** We need to have an underlying financial management and internal control system that captures and produces both *timely* and *reliable* information (one without the other is worthless).
- 2 Meaningful Reports.** To be useful for policy makers and managers, this raw data then needs to be analyzed and summarized to answer the key question of: *what's it mean?* And setting specific, periodic reporting goals and standards is one of the best ways of ensuring that this kind of analysis is in fact taking place. While this requires more time and effort, it is a critical organizational discipline.
- 3 Timely, Open Reporting.** Full, open, honest and straightforward disclosure of our fiscal condition on an ongoing basis—whether good or bad—to elected officials, senior managers, the organization at-large and the community is a fundamental precept for effective and responsible stewardship of the public resources that have been entrusted to us. In short, we may not always like results—but if we are doing our job, they should never be a surprise.
- 4 Organizational Responsibility.** On the revenue side (especially in the General Fund), the Department of Finance & Information Technology plays the lead role in managing the City's fiscal condition; on the expenditure side, Department Heads have the principal responsibility for ensuring that the City's resources are used wisely and in accordance with adopted plans, policies, service levels and the resources allocated by the Council.

### FISCAL HEALTH MONITORING

#### *Council-Focused Reports*

The following reports are provided to the Council on an ongoing basis, and except as noted, typically cover both revenues and expenditures. In all cases, these same reports are widely distributed within the organization; and several of these that have broad interest—such as our Sales Tax Newsletter, TOT Newsletter, Quarterly Financial Newsletter and Monthly Investment Report—are distributed externally to others and posted on our web site.

- **Two-Year Financial Plan.** This is the benchmark against which we measure our fiscal performance for revenues, departmental operating expenditures and CIP projects. And while this document primarily looks forward to the next two years, it also includes detailed information about our fiscal performance for both revenues and expenditures for the prior two years.
- **Financial Plan Supplement.** Under the two-year Financial Plan concept, appropriations in the second year of the plan are based upon the framework and foundation developed during the two-year financial process. However, budgets are still adopted annually under this approach. Much like a mid-year budget review, the “second-year” Financial Plan Supplement provides us with a formal opportunity to re-assess our fiscal condition and priorities in the context of current revenue and expenditure trends, and to take corrective action as necessary. Again, this report provides prior and current year information on the status of revenues, departmental expenditures and CIP projects.
- **Mid-Year Budget Review.** Prepared six months into each fiscal year, this is another opportunity to take a formal look at the City’s fiscal performance, and take corrective action as needed.
- **Quarterly Financial Newsletters.** In staying focused on the “big picture,” we issue a one-page Newsletter (okay, so it’s front and back—but it’s still one piece of paper) quarterly focusing on key fiscal performance indicators in the General and Enterprise Funds. This includes year-to-date revenues, expenditures and changes in fund balance, “Top 10” General Fund revenues (which account for about 95% of the total) and budget versus actual expenditures for each of the departments. The last quarter report serves as an *Interim Annual Financial Report* for the year pending issuance of the City’s Comprehensive Annual Financial Report. This Newsletter is also distributed electronically to all employees.
- **Comprehensive Annual Financial Report.** This includes audited financial statements for all of the City’s funds, including budget versus actual for revenues and expenditures. More importantly, it includes a transmittal memorandum from the Director of Finance & IT that concisely analyzes key fiscal results for the year.
- **Sales Tax Quarterly Newsletter.** Based on information provided by our sales tax advisor, these provide a more detailed look at what’s happening with our “No. 1” General Fund revenue source.
- **TOT Monthly Newsletter.** This report focuses us on the results of our “No. 3” General Fund revenue source—transient occupancy tax.
- **Monthly Investment Report.** This report shows the City’s cash and investment position for all funds held by the City and our trustees. The Investment Oversight Committee meets quarterly for a detailed review of the City’s investment performance and conformance with investment policies.
- **Council Agenda Reports.** In every Council agenda report, we assess the fiscal impact of the recommended action, including any budget shortfalls if applicable.

- **Council Notes and Other Ad Hoc Reports.** As key information comes to us with significant revenue or expenditure impacts, we immediately let the Council know through Council Notes or other “ad hoc” reports.

### *Staff-Focused Reports*

As noted above, City staff receive the same reports as those listed above. This is supplemented by more detailed reports as follows (which are also available to the Council upon request).

- **On-Line Access.** Through our network, up-to-date financial information is available on-line to everyone in the organization. This ranges from high-level summaries to detailed, individual transactions.
- **Monthly Financial Reports.** Even though data is available on-line, we produce and distribute detailed monthly financial reports to ensure that records are accurate and up-to-date. (This is one of those “organizational discipline” things.)
- **Quarterly CIP Expenditure Status Reports.** The CIP Review Committee meets at least quarterly to review the status of CIP projects. An important part of their role is to identify any problem areas with upcoming projects (and resolve them); and to ensure smooth coordination of complex projects. These detailed reports on the “project-to-date” budget and expenditure status of all CIP projects are distributed to the CIP Review Committee in preparation for these meetings.
- **Quarterly Expenditure Reviews with the CAO.** Each quarter, the Budget Analysts meet with their assigned departments to review in detail the status of departmental operating expenditures. They then meet with the CAO and other members of the Budget Review Team (Director of Finance & IT, Director of Human Resources and Assistant CAO) to report on the results of these reviews.
- **Daily Cash Balance Reports.** Every day we access the City’s bank cash balances on-line and compare them to our general ledger. While the primary reason for this is maximum investment of idle cash, it also keeps us on top of our cash position.
- **Weekly Cash Balance Reports By Fund.** We issue vendor checks weekly. Before releasing them, the Director of Finance & IT personally reviews and approves the check register. Accompanying the check register is a report showing the cash balance in each fund after disbursement of these checks. This not only ensures that adequate funds are available overall to meet these payments, but more importantly, that *each fund* is able to meet its obligations.

### **SUMMARY**

There are two key aspects to our approach in monitoring our fiscal condition: we are committed to an ongoing program of collecting meaningful information and reporting on it; and then ensuring that this information is acted upon in a timely manner.



## Section 561

# MONTHLY FINANCIAL REPORTS

## OVERVIEW

In addition to providing up-to-date, on-line access to the City's financial system, the Finance Division issues "hard copy" monthly financial reports to assist operating departments in monitoring their expenditures and revenues. These reports detail on a line item basis year-to-date budget, expenditure and encumbrance information for each operating program and capital improvement plan (CIP) project. Similar information is provided for revenues.

The purpose of these reports is to help identify erroneous postings and approved-but-unrecorded budget changes. It also helps identify any over-budget expenditures that must be corrected, either through internal reallocations or supplemental appropriations requiring Council approval.

## POLICIES

### Timely Financial Reports

Finance will issue monthly financial reports by the tenth working day of the month (except for June, when longer lead times are required to include year-end items).

### Budgetary Controls

- Operating departments are responsible for ensuring that adequate funds are available within the *object* budget for the program (or *phase* level for CIP projects) before submitting payment vouchers and purchase orders to Finance for processing.
- Operating departments are responsible for addressing on a timely basis any budget totals that are over-expended at the *object* level within the operating program or *phase* level within individual CIP projects. For operating programs, *object* levels are:
  - Staffing (See note below on additional staffing line item control)
  - Contract Services
  - Office Expenses
  - Travel, Meetings and Dues
  - Communications and Utilities
  - Rents and Leases
  - Insurance
  - Operating Materials and Supplies
  - Minor Capital Outlay

## Monthly Financial Reports

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**Staffing.** There is further line item control within the following staffing object levels within the program:

- Regular staffing
- Contract staffing
- Temporary staffing
- Special staffing accounts (Such as Council/Commissions or Uniform Allowances)
- Overtime (Note: Does not include detail sub-object codes for overtime within the program)

### Corrective Action

- Operating departments are responsible for initiating corrective action for any problem areas. There are generally two options for this:
- Submitting a memorandum to Accounting requesting a correction due to incorrect coding or posting of charges or receipts.
- Preparing a Budget Amendment Request.

**Note.** Depending on the circumstances, this may require City Manager or Council approval. The guidelines for preparing and approving budget amendments are set forth in *Section 540: Budget Amendment Requests* of the Financial Management Manual.

## Section 565

# ACCOUNTING FOR COMPLETED CIP PROJECTS

## OVERVIEW

Under the City's capital improvement plan (CIP) budget policies, funding is approved for each CIP project by phase when the Financial Plan is adopted. Unless otherwise approved by the Council, appropriations for each phase lapse after three years.

As the project proceeds, there are a number of systems for monitoring its status, including on-line financial reports, formal monthly and quarterly financial reports, formal CIP status reports, ongoing CIP Review Committee review and comprehensive procedures for approving construction change orders as set forth in Section 225 of this manual.

The purpose of this section is to bring closure to the CIP project funding process by establishing procedures for accounting for completed projects.

## GOALS

- Provide consistency in accounting for completed CIP projects.
- Improve financial reporting on the status of CIP projects and related effects on the City's fiscal condition.
- Assure timely and consistent filing of notices of completion for construction projects.
- Identify responsibility for approving the use of budget balances from completed projects.

## PROCEDURES

### *Reporting on Completed Projects*

Upon completion of each project, the managing department is responsible for preparing a City Manager Report summarizing its final status. Generally, reports are only required upon the completion of the construction phase, and should encompass all phases of the project. However, if the project is not expected to go beyond the study, design or acquisition phase, the report should be prepared upon completion of the furthest phase. Reports should:

- Briefly summarize the purpose of project.
- Discuss any unusual circumstances or difficulties in completing the project, and recommend corrective action for the future if appropriate.
- Compare estimated and actual completion dates.
- Compare the project budget with actual costs. This comparison should provide sufficient detail to meaningfully summarize key expenditure areas and project phases.

## Accounting for Completed CIP Projects

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- Summarize the status of any outside funding sources such as grants, loans, donations or developer agreements.
- Identify any outstanding encumbrance balances that should be closed once final contract payments are made.
- Transmit the notice of completion for filing by the City Clerk for construction projects.
- Include a budget amendment request transferring any remaining budget balances to or from the “completed projects account.”

☛ *Note: This account is established in each fund in order to account for net budget balances resulting from completed projects. This balance is available to fund new projects or offset shortfalls in existing projects, subject to Council or City Manager approval as discussed below.*

### *Roles and Responsibilities*

- **City Council.** Approval by the Council is required for all transfers from the completed projects account for any new projects as well as for any existing project when the transfer amount exceeds the City Manager’s purchasing authority.
- **City Manager.** The City Manager is authorized to make transfers to and from the completed projects account for existing CIP projects. The City Manager’s authority to transfer balances from this account is limited to amounts otherwise within his or her purchasing authority.
- **Department of Public Works.** Public Works is responsible for ensuring that notices of completion for construction projects are appropriately filed.
- **Department of Finance & Information Technology.** The Finance Division is responsible for reviewing completed project reports for fiscal accuracy; processing the approved budget amendment request and ensuring that project budget balances on the next monthly financial report will be zero; reducing encumbrances as recommended by the managing department and ensuring that encumbrance balances will be zero after any final project contract payments are made; and ensuring that projects completed by the end of the fiscal year are not carried over into the next fiscal year.
- **CIP Review Committee.** Members are responsible for reviewing project completion reports and providing comments to the City Manager or managing department as appropriate when unusual circumstances or difficulties were encountered in completing the project and corrective action is recommended for the future.
- **Operating Departments.** Upon completion of a CIP project assigned to them, operating departments are responsible for completing timely and accurate City Manager Reports summarizing the project's final status as discussed above and for distributing them to CIP

## **Accounting for Completed CIP Projects**

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Review Committee members when unusual circumstances or difficulties were encountered in completing the project. A sample report is provided in Exhibit A.

*Approved by the Council on August 16, 1994 (Resolution No. 8324); Minor changes made by Finance in July 2004.*

## SAMPLE CITY MANAGER REPORT

August 16, 200X

FROM: Sara Logan, Director of Public Works

SUBJECT: PROJECT COMPLETION: LAGUNA LAKE DREDGING

The purpose of the Laguna Lake dredging project was to mitigate flooding damage and improve recreational use of the lake by removing sediment that had built up over time. Prior to this project, the lake had never been dredged in its entirety, although there had been limited dredging of the Prefumo Arm area on a periodic basis.

### Unusual Circumstances or Difficulties

The primary difficulties in completing this project—mitigating environmental concerns and identifying appropriate methods for disposing of dredged materials—were identified and resolved during the study and design phases. No significant difficulties were encountered during construction. This project was scheduled to be completed within 150 days after authorization to proceed; construction was completed within 148 days.

### Project Budget Summary

	Original Budget	Budget As Amended	Actual	Variance
Study	50,000	39,000	39,000	-
Design	30,000	27,000	25,000	2,000
Construction				
Bid Amount	230,000	225,000	225,000	-
Change Orders		25,000	15,000	10,000
Other Project Costs*	5,000	5,000	3,500	1,500
Construction Management	15,000	15,000	12,500	2,500
<b>TOTAL</b>	<b>330,000</b>	<b>336,000</b>	<b>320,000</b>	<b>16,000</b>

\* Soils reports; materials testing

### Status of Funding Sources

- Grant funds for this project were awarded in the amount of \$125,000 (50% of construction costs). Because construction costs were less than budgeted by \$10,000 (\$240,000), \$120,000 is the total grant eligible amount. To date, \$100,000 has been requested, and of this amount, \$75,000 has been received. Upon final payment to the contractor, the remaining balance

## Accounting for Completed CIP Projects

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(\$20,000) will be requested. No problems are anticipated in receiving the total eligible amount.

- Zone 9 contributed a fixed amount of \$50,000 for this project. All funds have been billed and received.

The following is a brief overview of the final funding for this project:

### *Project Funding Summary*

	<b>Original Budget</b>	<b>Budget As Amended</b>	<b>Actual</b>	<b>Variance</b>
General Fund	155,000	161,000	150,000	11,000
Zone 9	50,000	50,000	50,000	-
Federal Grant	125,000	125,000	120,000	5,000
<b>TOTAL</b>	<b>330,000</b>	<b>336,000</b>	<b>320,000</b>	<b>16,000</b>

Because \$5,000 of the \$16,000 in project savings is allocable to grant funding, only \$11,000 is recommended for transfer to the completed projects account in the Capital Outlay Fund. Correspondingly, the budget estimate for grant revenue in the Capital Outlay Fund should be adjusted downward by \$5,000. (See attached budget amendment request).

### **Contract Status**

	<b>Original Contract</b>	<b>Change Orders</b>	<b>Total Costs*</b>	<b>Contract Balance</b>
Wepus Management	15,000	-	12,500	2,500
Smith Construction	225,000	15,000	240,000	-
SSN Associates	27,000	-	25,000	2,000

\* Including final payments that will be processed within the next 30 days pending publishing the notice of completion.

Combined with the attached budget amendment request, reducing the Wepus Construction Management and SSN Associates encumbrance balances as indicated above should result in "zero" balances for all phases of this project.

### **ATTACHMENTS**

- Notice of completion
- Budget amendment request closing project balances

## Section 601

### INTRODUCTION

The purpose of this section is to describe the City's key accounting policies and procedures. Areas currently covered include:

- Correction of Payroll Payment Errors (Section 631)
- Approval authorizations (Section 635)
- Procedures to be used in accounting for the costs of disaster response and recovery (Section 650)
- Public art funding (Section 660)
- Security deposits such as guarantees, letters of credits, certificates of deposits, promissory notes, and performance bonds (Section 670)

Future areas that will be covered include:

- Significant accounting policies
- Purpose and preparation approach of the cost allocation plan
- Payroll procedures (timesheets, personnel actions, periodic reports, schedules)
- Accounts payable (voucher preparation, purchase orders, schedules)



## Section 631

# CORRECTION OF PAYROLL PAYMENT ERRORS

Although the City strives to ensure that employees are correctly paid with every pay check, from time to time payment errors will happen. The following sets forth the City's policy for correcting underpayments and overpayments to our employees.

### Underpayments

- **Immediate Correction.** Underpayments will be corrected through a one-time payment to the employee on the next paycheck after the error has been identified and the correct amount of the retroactive payment has been calculated.
- **Interest If One-Year or More.** If the underpayment has occurred for one year or more, the City will pay interest on the underpayment based on the interest rate earned by the City during that same period on its investments placed in the Local Agency Investment Fund (LAIF). Due to its "de minimus" affect, no interest will be paid on underpayments that occurred over less than one year.

### Overpayments

- **Installment Payment Option Via Payroll Deduction.** When an employee has been overpaid, the full amount of the overpayment is due to the City. The City will offer the employee the option, via payroll deduction, to repay the amount of the overpayment up to the same period of time that the overpayment occurred. For example, if an employee was overpaid \$1,000 for six months (13 payroll periods), the employee will have the option of repaying this amount in 13 payroll period installments of \$76.92 each. (Employee may choose a shorter timeframe).

To exercise this option, employees must authorize the deduction in writing. They must also agree in writing to authorize the City to deduct any outstanding balance in a lump sum from their final paycheck if employment with the City is terminated before the total amount of the over-payment is collected. Further, they must agree in writing that in the event that their final paycheck is not enough to cover any outstanding balance, they will pay the City any amounts due in a lump sum on their last day of employment with the City.

- **One-Time Payment.** In the event that the employee does not agree to have voluntary payroll deductions to reimburse the City, the total amount of the overpayment, once it has been calculated by the City, will become immediately due and payable in full. The City will then invoice the employee under its standard accounts receivable process. In seeking recovery of the overpayment, the City will use its full range of collection options, including court action, to ensure that the City is fully reimbursed for the overpayment.
- **No Interest on Overpayments.** The City will not charge interest on overpayments, either for the period of time that the overpayment occurred, or for the period of time over which installment payments will be deducted.

## **Section 635-A**

# **PURCHASE AND PAYMENT APPROVAL AUTHORITY**

## **OVERVIEW**

The City provides significant discretion to department heads in approving contracts, purchase orders and payments, and in delegating this authority to others in their department. The purpose of this policy is to provide organization-wide guidance to department heads in delegating purchase and payment approval authority.

## **POLICY**

### **Authorized Employees**

Department heads should only delegate purchase and payment approval to the following City staff members:

- Division managers
- Program managers and supervisors
- Formally designated department fiscal officers

Department heads may delegate approval to other staff members, but this requires City Manager approval.

Department heads should limit purchase and payment approval authority to those areas where the employee is knowledgeable about the transaction and is accountable for the use of City funds. Further, the purchase or payment approval amount should be consistent with the employee's overall scope of duties and responsibilities.

### **Written Delegation of Authority**

All approval authorizations by the Department Head will be in writing and filed with Accounting. In addition to identifying the employee and her or his position, the authorization will also identify any program account number and amount limitations.

## **ATTACHMENT**

Sample Approval Authorization Form. This form is available on the City's intranet.

*Approved by the City Manager on November 19, 1998; form revised by Finance in February 2003*



## Section 635-B

# TIMECARD APPROVAL AUTHORITY

## OVERVIEW

The City provides significant discretion to department heads in approving timecards and in delegating this authority to others in their department. The purpose of this policy is to provide organization-wide guidance to department heads in delegating timecard approval authority.

## POLICY

### Authorized Employees

Department heads should only delegate timecard approval to the following City staff members:

- Division managers
- Program managers and supervisors
- Formally designated department payroll administrators

Department heads may delegate approval to other staff members, but this requires City Manager approval.

Department heads should limit timecard approval authority to those areas where the employee is knowledgeable about the transaction and is able to attest to the accuracy of the hours worked. Further, the timecard approval should be consistent with the employee's overall scope of duties and responsibilities.

### Written Delegation of Authority

All approval authorizations by the Department Head will be in writing and filed with Accounting. In addition to identifying the employee and her or his position, the authorization will also identify any program account number and amount limitations.

## ATTACHMENT

Sample Approval Authorization Form. This form is available on the City's intranet.

*Approved by the City Manager on November 19, 1998; form revised by Finance in February 2003*



## Section 650

# DISASTER RESPONSE ACCOUNTING PROCEDURES

## OVERVIEW

From the moment the State or the City declares a “state of emergency” in the event of natural disasters, technological incidents or national security emergencies, special accounting procedures are implemented. In order to ensure maximum cost reimbursement from the Federal Emergency Management Agency (FEMA) or the State Office of Emergency Services (OES), expenditure information must be captured in a format approved by these agencies. Disaster-related activities must be accounted for separately from normal activities and captured by damaged site or Damage Survey Report (DSR). Each damaged site has the potential to generate one or more DSR’s. Therefore, accounting for activity by location is essential.

The types of cost activities that must be captured include:

- Staff labor hours (regular and overtime) by location and description of work performed. Only overtime and related benefits are reimbursable for sworn personnel.
- Equipment hours and cost of rented equipment, by location.
- Cost of materials used and purchased, by location.
- Equipment damaged or destroyed and the cost to repair or replace it, by location.
- Vendor services or materials acquired under purchase orders, contracts, or pre-existing agreements, by location where the services or materials were used.
- Contracted construction services and costs by site.
- Cost of consultant services and specific purpose of work performed.

## POLICIES

It is the City’s policy to:

- Identify the costs of responding to emergencies and recovery from disasters as accurately as possible.
- Receive maximum allowable reimbursement for eligible emergency response and disaster recovery costs.

## ROLES AND RESPONSIBILITIES

- **Operating Departments.** The primary responsibilities for initiating expenditures and identifying and maintaining cost information rests with the operating departments. Procedures for doing so are outlined below.
- **Finance & Information Technology.** Finance & Information Technology (IT) is responsible for establishing cost accounting procedures, coordinating the collection of cost information and preparing this information in a format acceptable for reimbursement by state

## Disaster Response Accounting Procedures

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and federal agencies. On an as-needed basis, Finance & IT will conduct briefings with key staff on emergency response and disaster recovery accounting procedures.

### PROCEDURES

#### *Account Number*

The City has established program number 88000 to account for all disaster-related expenditures. The normal fund/object/sub-object numbers should be used.

#### *Form Preparation*

The following forms should be prepared by the operating departments and submitted to Finance & IT in order to maintain sufficient documentation for cost recovery:

**A. Emergency Services Individual Time Sheet Supplement.** In addition to our regular time sheet, each non-sworn employee working during emergency operations must complete a time sheet supplement that details the location and description of the work done related to the emergency (sworn overtime hours will be captured from the City's regular time cards). Regular and overtime hours must be recorded separately. Each supervisor is responsible for accurately reviewing, completing and approving the time sheet supplement. The information from the supplements will be compiled by Finance & IT in the format required by FEMA. The location and description sections are very important to ensure reimbursement.

All overtime (sworn or non-sworn) should be charged to program account "88000" on timesheets. Additionally, regular hours incurred by temporary employees should also be charged to program account "88000."

**B. Force Account Equipment Record.** This form was designed by OES and is required for reimbursement for the use of City-owned equipment. A separate form should be completed for each specific location where City-owned equipment was used. Operating departments are responsible for providing the following information on each form:

- |                                   |                       |
|-----------------------------------|-----------------------|
| ■ Location of work                | ■ Description of work |
| ■ Time period                     | ■ Prepared by         |
| ■ Date prepared                   | ■ Type of equipment   |
| ■ City equipment reference number | ■ Date and hours used |

Finance & IT will complete the rate and cost sections along with assigned FEMA/OES reference, DSR, job site and category numbers.

**C. Rented Equipment Record.** This form was also designed by OES and is required for reimbursement of rental equipment costs. A separate form should be completed for each specific location where rented equipment was used. Operating departments are responsible for completing this form with the exception of OES and FEMA reference, DSR, category and job site numbers, which will be completed by Finance & IT. Additionally, Finance & IT will verify pricing from accounts payable records.

## Disaster Response Accounting Procedures

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**D. Materials Record.** This form maintains a record of materials and supplies purchased by the location where they were used. Operating departments are responsible for completing this form with the exception of OES and FEMA reference, DSR, category and job site numbers. Additionally, Finance & IT will verify the pricing from accounts payable records.

Avoid paying for supplies or services with petty cash; most vendors, especially those that the City uses on a regular basis will extend their normal order and payment terms to the City. Use an emergency purchase order (see below) for those vendors who won't extend credit at the time of purchase. The Multi-Hazard Emergency Response Plan, Part 3, lists vendors with whom the City has emergency purchasing agreements. If cash is required beyond amounts readily available from departmental petty cash balances, contact Finance & IT for assistance.

**E. Emergency Purchase Order.** Finance & IT has a supply of emergency purchase orders that can be used when a vendor is reluctant to extend payment for emergency purchases without formal, written authorization. Each fiscal officer is assigned a limited supply of emergency purchase orders for use by their department, if required. Additional supplies of emergency order forms are available at the Emergency Operation Centers (Police Station and Corporation Yard) as well as the Headquarters Fire Station and Finance & IT.

### *Payment Processing*

To the maximum extent feasible, the City's normal payment processing procedures should be followed. This means that vendor invoices for ordered supplies, materials, equipment, rentals and services should be sent to the operating department and a voucher prepared for payment accordingly. It is important that the vouchers:

- Use program account "88000" and the appropriate fund and object/sub-object code.
- Describe the purpose of the purchase.\*
- Identify the location where the purchase items or services were used.\*

\* This information can be annotated on the invoice or described in the voucher as appropriate. This is especially important for services, as the accounts payable documentation will be our sole support for those costs.

### **EXHIBITS**

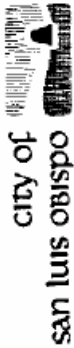
- A. Emergency Services Individual Timesheet Supplement
- B. Force Account Equipment Record
- C. Equipment Rental Record
- D. Materials Record
- E. Emergency Purchase Order





**EXHIBIT B**

**Force Account Equipment Record**



**city of  
san luis obispo**

**FORCE ACCOUNT EQUIPMENT RECORD**

Page \_\_\_\_\_ of \_\_\_\_\_ pages(s)

LOCATION OF WORK: \_\_\_\_\_

DESCRIPTION OF WORK: \_\_\_\_\_

Equipment Record prepared by: \_\_\_\_\_ Date prepared: \_\_\_\_\_

OES NO.: \_\_\_\_\_ STATE DSR NO.: \_\_\_\_\_

FEMA: \_\_\_\_\_ DR \_\_\_\_\_ FIPS NO.: \_\_\_\_\_ FED DSR NO.: \_\_\_\_\_

TIME PERIOD: \_\_\_\_\_ to \_\_\_\_\_, 19\_\_\_\_

JOB SITE NUMBER: \_\_\_\_\_

CATEGORY: (A) (B) (C) (D) (E) (F) (G)

TYPE OF EQUIPMENT <small>Indicate size, capacity, horsepower, make and model as appropriate.</small>	EQUIPMENT NUMBER REFERENCE	DATE/HOURS USED EACH DAY							TOTAL HOURS	RATE	TOTAL COST
		DATE	HRS	HRS	HRS	HRS	HRS	HRS			
<b>TOTAL</b>											

OES FORM 129 (10/99) DAD FORM

**TOTAL**







## **Section 670**

# **CONSTRUCTION SECURITY DEPOSITS**

## **OVERVIEW**

It is customary to require members of the public to furnish security deposits to guarantee the performance of acts or agreements related to private construction projects.

Since January 1, 1986, the City has been required to pay interest on all cash deposits for security purposes that are banked or invested (Government Section Code 53079). The statutory formula for computing interest due is complicated and additional effort is required to ensure these deposits are properly managed and controlled. Accordingly, City staff determined that the public could be better served by eliminating the use of cash or cash-like deposits as security to guarantee work or services and to develop policies and procedures to allow non-cash security deposits.

The following policies and procedures have been prepared in order to provide guidance on the administration of construction security deposits for private projects. (Policies and procedures for City construction projects are not addressed in this section).

## **POLICY**

- A. No cash or cash equivalent deposits (such as personal or cashier checks) will be accepted as security when required to guarantee the performance of any act or agreement related to a private construction project.
- B. The following forms of guarantee are acceptable security deposits:
  - 1. Certificates of deposit (any amount)
  - 2. Letters of credit (any amount)
  - 3. Promissory notes (less than \$1,000 under conditions provided in this policy)
  - 4. Unconditional guarantees or notes issued by certain institutions (any amount)

It is the City's preference not to use performance bonds as security deposits. However, if an applicant cannot provide a letter of credit or certificate of deposit, this form of security may be considered at the sole discretion of the department.

- C. The guarantee form provided in Exhibit A must accompany all certificates of deposit, letters of credit and promissory notes.
  - 1. Guarantees will not be accepted for amounts less than \$100, and all guarantees shall be rounded to the nearest \$100.
  - 2. Guarantees for letters of credit will expire no sooner than 90 days before the expiration date of the letter of credit. (Promissory notes and certificates of deposit do not expire.)

## **Construction Security Deposits**

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D. Security deposits must meet the following standards to be acceptable:

1. Certificates of Deposit (must be accompanied by guarantee form)

Certificates must be made out on a form that clearly identifies the Payor bank and an unconditional promise to pay the City of San Luis Obispo.

2. Letters of Credit (must be accompanied by guarantee form)

Irrevocable letters of credit will only be accepted when issued by a Federal or State chartered bank or savings and loan institution. The City reserves the right to qualify any institution based upon the current financial position of that institution. Irrevocable letters of credit for general purposes must appear in substantially the same form as provided in Exhibit B.1. An irrevocable letter of credit for subdivisions must appear in substantially the same form as Exhibit B.2 to comply with the requirements of the Subdivision Map Act. As a minimum, this means that the letter of credit must indicate:

- a. By its title, it is irrevocable.
- b. City of San Luis Obispo must be the beneficiary.
- c. Entire sum is available to the City upon written demand.
- d. Letter is issued in accordance with and shall be interpreted in accordance with Division 5 of the California Commercial Code.
- e. The timeframe should be based on a reasonable period for completion of the workscope, and must remain valid for at least one year from its issue date.
- f. No mention of the project or work that is being guaranteed may appear on the letter.

3. Promissory Notes (must be accompanied by guarantee form)

Promissory notes are acceptable only for deposits of \$1,000 or less. The promissory note must be prepared in the format shown in Exhibit C. Acceptance of a promissory note is not required; the responsible department may refuse the depositor's promissory note under the following circumstances:

- a. Within the past 12 months, the depositor has given the City a check that was subsequently dishonored.
- b. Within the past 24 months, the depositor has failed to complete a construction project for which security was given.
- c. The department involved has verified that a stop notice or mechanics lien has been filed against the depositor, and has developed into a civil suit filed in a Superior Court within the State of California.
- d. The depositor has a primary business or home address outside the Counties of San Luis Obispo, Monterey or Santa Barbara.

## Construction Security Deposits

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All promissory notes signed by a corporate officer on behalf of the corporation shall also be signed by the same individual as a guarantor of the note.

### 4. Unconditional Guarantees or Notes Issued by Certain Institutions

The instruments listed above are issued by bonding companies or financial institutions and may be accepted if they include an unconditional promise to pay upon demand to the City the sum of the deposit. *All such instruments shall be reviewed by the City Attorney before acceptance.*

As noted above, it is the City's preference not to use this form of security, but it may be considered depending upon the circumstances of the work to be performed and our prior experience with the applicant and the issuing institution. Acceptance of this form of guarantee is at the sole discretion of the department.

### E. The following types of security shall not be acceptable:

1. Passbooks purporting to pledge a savings account.
2. Any document, otherwise acceptable, which makes the City and the depositor joint tenants or co-owners of payment rights.
3. Any document, otherwise acceptable, which requires that the City first establish, as a condition to collection, that the depositor has failed to satisfactorily complete the act or work guaranteed.
4. Cash.
5. Personal checks or cashier checks.

## PROCEDURES

Responsible departments will ensure the following procedures are used in processing guarantees for certificates of deposit, letters of credit and promissory notes:

### A. Certificates of Deposit (Any Dollar Amount)

1. Certificates of deposit will be made in the name of the City of San Luis Obispo only. Be sure there is an automatic renewal. They cannot expire.
2. A guarantee form will be completed with the pink copy attached to the certificate of deposit (Exhibit A).
3. Original certificates of deposit and the pink copy of the guarantee form will be held by the Department in a locked file cabinet or other secure location. The department may make additional copies for internal purposes but they must be clearly marked "copy."
4. The yellow copy of the guarantee will be given to the applicant. The original or white copy of the guarantee is a file copy.







**city of san luis obispo**

**GUARANTEE TO THE CITY OF SAN LUIS OBISPO**

(with  Promissory Note,  Letter of Credit or  Certificate of Deposit)

I, the undersigned, hereby place on deposit with the City of San Luis Obispo, in the form of a promissory note, Letter of Credit or Certificate of Deposit, the sum of \$\_\_\_\_\_ to guarantee: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ at the

property commonly known as \_\_\_\_\_ within \_\_\_\_\_ days from this date. If I fail to make these improvements within said days from this date, the City is authorized to make these improvements. If the City has to proceed with these improvements, I agree to pay the City for all costs incurred by the City, including attorney's fees, for the enforcement and/or installation of these improvements.

APN \_\_\_\_\_ Lot \_\_\_\_\_ Block \_\_\_\_\_ Tract \_\_\_\_\_

Signed \_\_\_\_\_ Date \_\_\_\_\_

Print \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

(Bank letterhead)

**Exhibit B-1**

*LAST BANK  
OF SAN LUIS OBISPO*

---

August 25, 1990

Reference Number (if any)

IRREVOCABLE LETTER OF CREDIT

Last Bank of San Luis Obispo, being a financial institution which is subject to regulation by the State of California or by the federal government, as insurer of the Irrevocable Letter of Credit, on behalf of its customer, XYZ Enterprises, hereby establishes this Letter of Credit in favor of the below named beneficiary:

THE CITY OF SAN LUIS OBISPO

in the amount of Twenty Thousand and No/100 Dollars (\$20,000) payable upon written notice from the beneficiary through its Director of Finance & Information Technology that the entire sum, or a portion thereof is due.

This Credit is available in portions at the discretion of the beneficiary. This Credit is nontransferable and non-assignable. This Letter of Credit is issued in accordance with and shall be interpreted in accordance with Division 5 of the California Commercial Code (Section 5101, et seq.) and the rights of all parties shall be governed hereby.

This Credit will expire at midnight on March 1, 1992. Demands for payment received after this date will not be honored and will be considered null and void.

Dated this 25th day of August 1990 at San Luis Obispo, California.

LAST BANK OF SAN LUIS OBISPO

BY: \_\_\_\_\_  
Corporate Officer

XYZ ENTERPRISES

BY: \_\_\_\_\_  
General Partner

(Bank Letterhead)

Date \_\_\_\_\_

City of San Luis Obispo  
990 Palm Street  
San Luis Obispo, CA 93401

Irrevocable Letter of Credit No. \_\_\_\_\_

For Faithful Performance for \_\_\_\_\_

The undersigned, \_\_\_\_\_ Bank, being a financial institution which is subject to regulation by the State of California or by the Federal Government, hereby pledges that monies to the extent of \$ \_\_\_\_\_ ( \_\_\_\_\_ Dollars) are credited to the loan commitment account of \_\_\_\_\_ (Company Name) as required by the Subdivision Map Act of the State of California for the purpose of securing the faithful performance of all the terms and conditions of that certain agreement dated \_\_\_\_\_ for \_\_\_\_\_ Tract \_\_\_\_\_ executed by and between said \_\_\_\_\_ (Company Name) and the City of San Luis Obispo, a municipal corporation, and in addition, costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by the City of San Luis Obispo in enforcing the terms and conditions of said agreement.

The undersigned agrees that said funds are trust funds on deposit and guaranteed for payment and that upon receipt of written demand, signed by the Public Works Director of the City of San Luis Obispo, the undersigned shall immediately pay said funds or such amount thereof as shall be set forth in said demand, to the Director of Finance of the City of San Luis Obispo to be used for the purpose set forth above.

The undersigned further agrees that it shall hold said funds to the credit of the loan commitment account of \_\_\_\_\_ (Company Name), for the uses and purposes herein set forth, until such time as it receives written notice signed by the Public Works Director of the City of San Luis Obispo authorizing the release of said funds.

It is specifically recognized and understood and agreed to by the undersigned that the full amount of monies, as set forth above, are to be maintained in said account at all times during the duration of this obligation and that any reduction or release in the fund amount to be maintained will only be done in accordance with Section 66499.7 of the Government Code of the State of California.

By execution and delivery of this Irrevocable Commitment of Funds to the City of San Luis Obispo, the undersigned financial institution is relieved of any and all liability to said \_\_\_\_\_ (Company Name) except as herein specifically set forth.

Dated at San Luis Obispo, California, this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

Name of Bank  
San Luis Obispo Branch # \_\_\_\_

BY: \_\_\_\_\_  
Authorized Signature for Bank

Address to which notices to Bank should be sent:

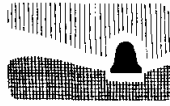
Name of Bank  
Street Address  
City, State

The undersigned hereby agrees to all the terms and conditions of the foregoing Irrevocable Commitment of Funds and releases the financial institution executing said Irrevocable Commitment of Funds from all liability except as therein specifically set forth.

Dated at San Luis Obispo, California, this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

Company Name

BY: \_\_\_\_\_  
Authorized Signature for Company



city of  
san luis obispo

FOR CITY FILING:  
\_\_\_\_\_  
\_\_\_\_\_

PROMISSORY NOTE

issued to

The City of San Luis Obispo, payee  
(hereafter "City")  
by

\_\_\_\_\_, maker(s)  
(hereafter "Maker")

who, in consideration for the City issuing a permit or contract involving a construction project under the regulatory control of the City, do(es) hereby promise to pay to the order of the City, upon demand, the sum of

\_\_\_\_\_ dollars (\$ \_\_\_\_\_).

FURTHER, the makers hereto waive notice of dishonor, presentment and protest prior to collection on this note.

It is the intention of the parties hereto that this Note constitute a negotiable instrument under Division 3 of the California Commercial Code. While this Note is given by the maker as security for an act or work on a particular construction project, demand for payment is not in any way conditioned upon a failure of performance or governed by any other agreement between the maker and the payee.

\_\_\_\_\_, Maker  
Date \_\_\_\_\_

\_\_\_\_\_, Maker  
Date \_\_\_\_\_

WITNESS \_\_\_\_\_ Date \_\_\_\_\_ (if signed at city counter, a city employee shall sign here, otherwise the note must be notarized)

If this Note is signed by an officer on behalf of a corporation, the following must also be completed.

\_\_\_\_\_, Maker  
Date \_\_\_\_\_ As an Individual and not as a Corporate Representative

WITNESS \_\_\_\_\_ Date \_\_\_\_\_

*CITY LETTERHEAD*

---

October 27, 1990

XYZ Enterprises  
120 North Street  
Cambria, CA 93444

SUBJECT: *COMPLETION OF IMPROVEMENTS*

Dear Mr. Smith:

On August 25, 1990, you agreed to complete the installation of landscaping at 1234 Restful Drive within 90 days. This time period expires November 23, 1990. If the work has not been completed by this date, we will refer this to the City Attorney for action to collect on your [Certificate of Deposit or Letter of Credit].

If the landscaping has been installed, please contact Mary Smith at 781-7170 so that she may inspect the property to verify that the work has been completed as required. After verification, we will release your [Certificate of Deposit or Letter of Credit].

Sincerely,

Joe Doe  
Department of Public Works

cc: Mary Smith

*CITY LETTERHEAD*

---

November 5, 199X

XYZ Enterprises  
120 North Street  
Cambria, CA 93444

SUBJECT:   RELEASE OF GUARANTEE AND SECURITY

The improvements required at 1234 Restful Drive have been completed and accepted by the City. Accordingly, the release of your Certificate of Deposit in the amount of \$20,000 is hereby authorized for release.

Please contact Mary Smith, at 781-7170 to arrange for the return of your Certificate of Deposit. If we do not hear from you within the next ten days, we will simply mail the Certificate of Deposit to you.

Sincerely,

Joe Doe  
Department of Public Works

cc:           Mary Smith, Project Manager



## **Section 701**

### **INTRODUCTION**

The purpose of this section is to provide key excerpts of existing administrative policies and procedures that affect the City's financial operations.

Areas currently covered include:

- Copying management policies
- Council Agenda and City Manager Report preparation
- Grant management policy adopted by the Council on August 16, 1994 (Resolution No. 8322)
- Donation Policies
- Employee use of City property

## **Section 715**

# **MAIL PROCESSING GUIDELINES**

## **OVERVIEW**

The purpose of these guidelines is to set forth standards, responsibilities and procedures for processing postal service mail.

## **RESPONSIBILITIES**

### **In-House Mail Processing**

- The Police Department is responsible for in-house processing of postal service mail at the Police Station.
- The Accounting section within the Department of Finance & Information Technology is responsible for in-house postal service mail for all other departments.
- Departments are responsible for dropping-off and picking-up postal service mail at City Hall.

### **Contract Mail Processing**

The City has a formal contract with San Luis Mailing Service (SLMS) setting forth specific services and charges for contract mailing services.

## **PROCEDURES**

### **Mail Processed In-House**

Departments are responsible for:

- Delivering mail to the City Hall mail room by 3:00 PM for out-processing that day. Unless the department makes special arrangements, Accounting will process mail received after that time the following day.
- Leaving envelopes unsealed, unless they are very full or are oversized (in this case, they will jam the postage meter).
- Separating sealed and unsealed envelopes. (When the postage meter attempts to seal an already sealed envelope, it jams the machine, which often destroys the envelopes and their contents.)
- Stacking unsealed envelopes together with the flap down.
- Rubber-banding similar items together, making sure they all face the same direction.
- Contacting Accounting by Noon (Extension 144) if they have large mailings (over 100 pieces) that they want processed by that day so enough time can be allocated to process all of the day's mail. (See below for "very large" mailings over 300 pieces.)

## Mail Processing Guidelines

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Accounting is responsible for:

- Sorting all incoming mail delivered to City Hall by the postal service and placing it in departmental mail boxes. Assuming normal postal service delivery times, Accounting will complete this by 3:00 PM daily.
- Processing all out-going mail received in the City Hall by 3:00 PM for pick-up and post-marking by the postal service on that day.
- Maintaining the City Hall postage meter, ordering postage supplies as needed and allocating costs to departments for large mailings.

### Contract Mail Processing

Departments should use SLMS (or similar contact mail provider if separate contract arrangements via competitive bidding have been made) for any mailing over 300 pieces, particularly if there is a significant amount of staff time involved in folding, stuffing, addressing and processing. SLMS has machines that will automatically handle all of these tasks.

Many mailings may also qualify as bulk mail, which is anything over 200 pieces of the same item that is not individualized for the receiver (such as brochures, surveys and newsletters). The postage for bulk mail can be significantly less than first class postage. Even with their charge for processing, stuffing or folding, departments will usually save money using SLMS's service versus paying 44 cents for postage, not to mention the staff time saved.

SLMS can also process electronic address files and print the addresses, with bar codes, on the envelopes. This results in the best possible postage rate, which can be as low as 24.8 cents versus the 44 cent first class rate.

**Coordinating Contract Mail Service.** The best approach is to call SLMS before you create your letter, brochure or flyer, and discuss postage options and scheduling with them. Ask for Rick at 543-8880.

### ACCOUNTING FOR MAILING COSTS

- **In-House Mail Processing.** The Support Services budget managed by Accounting is responsible for all general postage costs for normal services. The cost for any "very large"

#### Large and "Very Large" Mailings

As discussed in this "Procedures" section, departments should give Accounting an early "heads-up" on any large mailings (100 pieces or more).

Additionally, if it's more than 300 pieces ("very large mailings"), departments should use San Luis Mailing Service (SLMS) rather than in-house mail processing. However, this may not always be possible (for example, there may not be enough time to work with SLMS and meet a mailing deadline). In this case, Accounting is available to process the mailing.

However, as with mailings between 100 and 300 pieces, departments should give Accounting an early "heads-up." Moreover, the department will be charged with the cost of the mailing, since funding for very large mailings is not included in the general, organization-wide budget for postage.

## Mail Processing Guidelines

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mailings that should otherwise be processed through SLMS (more than 300 pieces) will be charged to the initiating department. (Note: As discussed above, any mailings of 100 pieces or more require prior arrangements with Accounting. However, in-house costs for mailings of 300 pieces or less will be charged to the organization-wide account for postage: it is only the cost for “very large” mailings – more than 300 pieces – that will be charged to the initiating department.)

- **Contract Mail Processing.** Departments that create large mailings in the normal course of their business, such as water bills, business tax renewals, class brochures or annual surveys, should include funding in their budgets for the cost of processing these mailings.

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*October 6, 2004*

## Section 725

# COPYING MANAGEMENT POLICY

## OVERVIEW

This policy addresses the City of San Luis Obispo's document reproduction program, both in-house and off-site. The purpose of the policy is to ensure that documents are reproduced in an efficient and effective manner. The policy will take effect upon approval of the City Manager, and will be reviewed whenever the off-site copy contract is renewed. The policy will be administered by the Department of Finance & Information Technology (IT).

## POLICY

### A. In-House and Off-Site Copying Volume Guidelines

Generally, it is more cost effective to send copying services to the City's off-site copying services contractor. Therefore, copying of documents requiring 10 or more copies of a single sheet and not needing the copies for 6 to 24 hours, should be sent out. Labor, equipment and maintenance factors make this more economical and efficient. For immediate copying needs, the City will provide for a least three operational levels of walk-up copiers for use within individual department and divisions as set forth below:

Large Copiers	50 copies or under
Medium Copiers	30 copies or under
Small Copiers	10 copies or under

### B. Acquisition of In-House Copiers

1. Funding for all copier acquisitions will come from either Capital Improvement Plan or the Support Services operating program, consistent with Financial Plan policies.
2. During the analysis of copier needs and bid evaluations, cost will only be one factor among many to be considered.
3. The choice of lease, rent, lease/purchase or purchase will be used for each copier acquisition as best benefits the City in each situation.
4. The Department of Finance & IT will establish and administer a replacement cycle policy for all copiers.

### C. Standard Specifications for Copiers

There are four levels of copiers which will be considered for use by the City. At the time that need of a new copier is established, an analysis of the specific user requirements will be done to determine which category is appropriate. The levels are:

1. **Very High Speed Volume.** Target use: centralized copy services for City-wide copying. Target volume per month: 50,000 copies and up. As long as the City

## Copying Management Policy

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makes extensive use of off-site copying, it is unlikely that there would be an on-site need for this level of copier.

2. **High Speed Volume.** Target use: central copy site for large number of users; multiple divisions and department; high volume and quick turnaround time needs. Target City volume per month: 25,000 to 50,000 copies. Industry rating: 50,000 copies/month.
3. **Medium Volume.** Target use: divisional or isolated site main copier. Target City volume per month: 5,000 to 25,000 copies. Industry rating: 30,000 copies/month.
4. **Low Volume.** Target use: secondary copier in department or site with high demand for more than one copier, or an isolated site with the need for very simple single sheet copying. Target City volume per month: up to 5,000 copies. Industry rating: 10,000 copies/month.

### D. Management and Operation of In-House Copiers

1. **Management.** The Department of Finance & IT will manage the City's on-site copy equipment. This includes developing copier policies, receiving new copier requests, coordinating the analysis and procurement of any and all copiers, coordinating trouble calls, managing maintenance agreements, monitoring copier usage and coordinating key operators.
2. **Maintenance.** All copiers owned, leased, or rented by the City will be covered by a third party maintenance agreement provided by a vendor certified to work on the specific machine's brand.
3. **Operation.** Each copier will have at least one "key operator" appointed by the Department Head of the department, division, or site, who is the main user of the equipment. The key operator will be thoroughly trained in the use and routine maintenance of the copier, and will be responsible for:
  - a. Performing routine weekly maintenance and cleaning.
  - b. Serving as the users main contact for problems encountered with the equipment.
  - c. Calling the maintenance vendor for service when problems are encountered.
  - d. Informing the Department of Finance & IT of severe or repetitive equipment problems.
4. **Supplies.** The City Manager will designate a department responsible for bulk ordering of consumable supplies such as paper and toner. ALL copier sites will use supplies ordered by this department. Each site's key operator will be responsible for arranging delivery of supplies to their copier.

## **Copying Management Policy**

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### E. Management of Off-Site Copy Contract

The Department of Finance & IT will be responsible for implementing and administering the off-site copy contract.

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*Approved by the City Manager on June 11, 1990; updated by Finance & IT in July 2004*

## Section 735

# CITY MANAGER REPORT PREPARATION

## OVERVIEW

The City Manager Report format and review process should be used whenever this level of approval is required to authorize an administrative decision or action with significant management or policy implications. Examples include approving bid or request for proposal (RFP) documents, awarding contracts and purchase orders, and approving other policy items such as department organization changes, position reclassifications, filling vacant positions if a “hiring freeze” is in effect and budget amendment requests if they require City Manager approval.

This approach is not used when Council approval is required; in this case, the request needs to be placed on the Council Agenda and prepared using the report format and routing procedures described in the *Manual for Preparing Council Agenda Reports* which is available upon request from Administration.

## CITY MANAGER REPORT PROCESS AND TRANSMITTAL FORM

Attached is a sample City Manager Report Transmittal Form, which should accompany all City Manager Reports in order to:

- Clearly identify reports or documents requiring the City Manager’s approval.
- Summarize key information regarding the request.
- Ensure that any required supporting documentation is provided.
- Facilitate report review and routing.
- Reduce report preparation efforts.

As discussed below, completing this form may be the only “report” preparation required in many circumstances.

### Form Overview

This one-page transmittal form is a green, two-sided document: the first side of the form provides the requested transmittal information, whereas the reverse side of the form provides basic instructions for its preparation and use. Since it is a simple one-page document that uses standard bond paper, copies can be easily made by the department. This form is available as a PDF file on the City’s intranet.

### Preparation and Processing Guidelines

Completing this form is largely self-explanatory. The following highlights key concepts in the City Manager Report process.

- Although the City Manager Report process should be used for significant policy approvals by the City Manager, its largest day-to-day use is in conjunction with the City’s formal bid or RFP process. As such, there may be parts of the form that may not be applicable. In this case, simply enter “N/A.”



## City Manager Report Preparation

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- Initiating departments are responsible for using good judgment in determining when review and coordination are necessary, and then correctly “checking-off” which departments or offices need to review the report.
- Review standards are the same for City Manager Reports as they are Council Agenda Reports: reviewers are responsible for hand-carrying reports to the next reviewer; and each review should be completed with four hours of after receiving the report.
- Administration is responsible for distributing reports as appropriate after they are approved by the City Manager.

### Completing the Form

Since the form needs to be printed on green paper, the most efficient way to complete this form for most users is in legible handwriting. However, it has been prepared as an interactive PDF file, and as such, it can be filled-out electronically, but this will require placing green paper in your printer.

## CITY MANAGER REPORT FORMAT AND CONTENTS

### Format

Due to the use of the City Manager Report Transmittal form described above, there is no special “letterhead” or format that must be used in preparing City Manager Reports. In fact, in many circumstances, completing the transmittal form is the only “report” preparation required. For example, the information provided in the “justification” box of the *Budget Amendment Request* form may be adequate in describing the recommended change; and unless there are “special circumstances,” in most cases an accompanying memorandum will not be needed for contract awards.

### Contents

Whenever a formal City Manager Report is required, it should include the same information organized in the same manner as Council Agenda Reports (see *Manual for Preparing Council Agenda Reports* for additional information regarding content requirements), summarized as follows:

- Recommendation
- Report-in-Brief (if the report is over five pages long)
- Discussion (with appropriate sub-headings if necessary)
- Concurrences (when appropriate)
- Fiscal Impact
- Alternatives (when appropriate)

No approving signature lines are required on supporting memorandums as departmental and City Manager approvals are provided on the transmittal form.

## Sample City Manager Report Transmittal Form: Side 1

### CITY MANAGER REPORT TRANSMITTAL

**PURPOSE**

*Check One. See Reverse Side for Required Documentation*

<b>Date Received</b>

Admin Use Only

**Authorize Invitation for Bids (IFB) or Request for Proposals (RFP)**

Recommended Vendor

**Award Contract**

--

Are there any special award circumstances?      Yes       No   
*If yes, a City Manager Report describing them should be attached.*

**Other Action Requiring City Manager Approval**

*See Reverse Side for Description*

**REQUEST SUMMARY**

Report Title		Specification No.*	
Department	Department Head Approval		Transmittal Date
Financial Plan Reference	Budget	Bid Estimate	Bid Amount
	\$	\$	\$

\* All formal Bid or RFP packages must be assigned a specification number by Finance before submitting this form.

**APPROVALS (Check appropriate box if review is required—see reverse side for guidance)**

Department of:	Finance & Information Technology	
<input type="checkbox"/>	<input type="checkbox"/>	
Department of:	City Attorney	
<input type="checkbox"/>	<input type="checkbox"/>	
City Engineer	Assistant City Manager	
<input type="checkbox"/>		
Human Resources	City Manager	Date
<input type="checkbox"/>		

Routing will occur in the order listed unless otherwise noted by the initiating department.

**REVIEWER COMMENTS**


**DISTRIBUTION AFTER CITY MANAGER APPROVAL**

<p><small>In the case of authorization to invite bids (request proposals) or to award a contract, Administration will return the original package to the initiating department with a copy to Finance (or to Public Works if it is a construction-related project) after City Manager approval. For all other City Manager Reports, the initiating department should indicate below the appropriate distribution after City Manager approval:</small></p>

## Sample City Manager Report Transmittal Form: Side 2

### INSTRUCTIONS

See Section 735 of the Financial Management Manual for complete guidelines for preparing and processing City Manager Reports.

#### AUTHORIZE BID OR RFP PROCESS: REQUIRED ATTACHMENTS

- City Manager Report Authorizing Invitation for Bids or Request for Proposals Process
- Bidders (Proposers) List
- Invitation for Bids (IFB) or Request for proposal (RFP) Package  
*See Section 250 of the Financial Management Manual for information regarding the City's standard IFB and RFP documents.*

Check box if required documentation is attached.

#### AWARD CONTRACT: REQUIRED ATTACHMENTS

- Summary Matrix of Bids or Proposals Received
- Original of the Proposed Agreement
- Copy of City Manager Report or Council Agenda Report Originally Authorizing the IFB or RFP Process
- Budget Amendment Request Form  
*This may not be required for operating expenditures such as supplies, equipment or operating and maintenance services where sufficient budgetary authorization for the purchase already exists.*
- City Manager Report Describing Special Award Circumstances  
*This memorandum is only required when there are special circumstances regarding the recommended contract award. Generally, this would include: any recommended award that is not based on the lowest cost proposal received or is in excess of the approved bid estimate; waivers in bid requirements; rejection of bids; and RFP approaches to the purchasing process.*

Check box if required documentation is attached.

#### DESCRIPTION OF OTHER ACTIONS REQUIRING CITY MANAGER APPROVAL

- Organizational changes and any related reclassifications.
- Requests to fill vacant positions if "hiring freeze" is in place.
- Budget requests such as the use of ventures and contingencies or operating program carry-over.
- Other significant management or policy decisions.

#### GUIDE FOR WHEN DEPARTMENTAL REVIEW IS USUALLY REQUIRED

Other Operating Departments	■ Two spaces are provided for the concurrence of other departments affected by the recommended action.
City Engineer	■ Construction projects.
Human Resources	■ Actions that affect staffing, labor relations or deviate from standard insurance requirements.
Finance & Information Technology	■ Requests that affect the City's financial condition, revenues, budget appropriations, purchasing procedures or technology systems/resources.
City Attorney	■ Contracts and other actions with significant legal implications.
Assistant City Manager and City Manager	■ All City Manager Reports

## **Section 740**

# **GRANT MANAGEMENT POLICY**

## **OVERVIEW**

With state-takeaways and continued decreases in key General Fund revenues, grant revenues have become an even more important part of the City's overall resource picture, especially in funding capital improvements. Although grant programs themselves are being reduced and becoming more competitive, actively seeking out grant revenues that assist in achieving identified City goals and objectives should nonetheless play a key role in the City's overall financial health strategies.

The purpose of this policy is to set forth an overall framework for guiding the City's use and management of grant resources.

## **GOALS**

1. Set forth the importance of grant programs in accomplishing City goals and objectives.
2. Establish general concepts and framework for seeking and managing grant programs.
3. Identify roles and responsibilities in managing grant programs.
4. Establish criteria for evaluating the benefits and costs of grant programs.
5. Set forth the City's policy in complying with Single Audit Act requirements.

## **GENERAL CONCEPTS AND FRAMEWORK**

1. The City will aggressively pursue grant funding from federal, state and other sources, consistent with identified City goals and objectives.
2. Aside from entitlement grants, the City should focus its efforts on securing grants for capital improvements. This approach will allow the City to compete for projects we might not otherwise be able to afford while maintaining financial independence should future grant sources diminish. Grants for operating purposes may be considered on a case-by-case basis after careful consideration of the benefits of the program and the ongoing impacts on the City if grant funding is no longer available.
3. Until the City's financial situation significantly improves, we should avoid grants that fund "pilot" operating programs or short-term staffing enhancements to existing programs. Taking on these programs could ultimately aggravate the City's fiscal position should the desire for the program remain once the grant funding is no longer available.
4. The City will only seek grants when sufficient staff resources are available to effectively administer the program in compliance with grant requirements and successfully perform the grant workscope.

## **Grant Management Policy**

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5. Indirect costs of administering grant programs will be recovered to the maximum extent feasible.
6. Operating departments have the primary responsibility for seeking out grant opportunities, for preparing effective grant applications and for successfully managing grant programs after they have been awarded.
7. Operating departments should develop a simple system that tracks grant funding availability in their functional areas. Using this system, all capital improvement plan budget requests will evaluate and document the ability of grants to assist in funding the project.

## **ROLES AND RESPONSIBILITIES**

### **City Council**

1. Approves grant management policies.
2. Approves all grant applications in excess of \$5,000 and delegates receipt and contract execution to the City Manager if delegation is allowed by the grantor agency.

### **City Manager**

1. Receives grants and executes related contract documents when delegated to do so by the Council.
2. Develops, recommends and maintains grant management policies.

### **Operating Departments**

1. Develop systems for maintaining ongoing information regarding grant availability within their functional areas of responsibility.
2. Evaluate benefits and costs of specific grant programs on a case-by-case basis:
  - a. Purpose of the grant program and its consistency with identified City goals and objectives.
  - b. Additional staffing, office space, facilities, supplies or equipment that will be required if the grant is awarded.
  - c. Ongoing impacts of the grant program after it is completed.
  - d. Responsibilities of other departments and impacts on them in preparing the grant application or performing workscope if the grant is approved.

## Grant Management Policy

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- e. Amount of indirect costs to be recovered from the grant,
  - f. Total program costs, including portion funded through grant revenues and any required City contribution.
  - g. Source of funding for any required City share.
  - h. Compliance and audit requirements, paying special attention to those areas where the grantor's administrative procedures are different than the City's.
3. Prepare grant applications.
- a. Work with the grantor agency in identifying special program requirements and developing strategies for preparing a successful grant application.
  - b. Complete grant application documents.
  - c. Coordinate with affected departments as necessary.
  - d. For grants in excess of \$5,000, prepare a Council agenda report requesting authorization to seek grant funding. This report should describe the grant program's conformance with this policy, including the results of the cost/benefit analysis.
  - e. For grants of \$5,000 or less, submit the grant application, subject to the following conditions:
    - It will not add regular staffing.
    - Any matching funds or in-kind contributions are already available within existing resources, and no additional appropriation of unreserved, undesignated fund balance or working capital is required.
    - At the conclusion of the grant, there will no ongoing commitments or obligations to continue the program.
    - The purpose of the grant program is clearly consistent with current City plans, policies and goals.
4. Administer grant programs if awarded.
- a. For grants in excess of \$5,000, prepare a City Manager Report (or Council agenda report if required by the grantor agency) accepting grant award, including grant summary form (see attached), budget amendment request and any other required City forms or documents; and coordinate execution of grant documents by the City Manager and return executed documents to grantor agency.
  - b. For grants of \$5,000 or less, execute and return grant documents to grantor agency.
  - c. Notify affected departments of grant award.

## **Grant Management Policy**

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- d. Maintain financial and other records in accordance with grant requirements.
  - e. Complete and submit required reports, including requests for funds.
  - f. Monitor grant expenditures and receipt of revenues.
  - g. Coordinate on-site management reviews by the grantor agency during the grant term.
  - h. Ensure compliance with grant requirements, paying special attention to those areas where the grantor's administrative procedures are different than the City's.
  - i. Perform the grant workscope.
5. Complete grant closeout.
- a. Complete the grant workscope.
  - b. Notify affected departments that the project is completed and schedule a "close-out" meeting if necessary to resolve any final procedural issues.
  - c. Ensure final receipt of grant revenues.
  - d. Prepare and submit any required grant close-out documents.
  - e. Review grant file for completeness.
  - f. Retain all necessary program and financial records for the period of time required by grantor agency.
  - g. Coordinate any on-site management reviews or audits after the grant is completed.
  - h. Resolve any audit findings.
  - i. Ensure that the City's policy regarding single audit act requirements is implemented as discussed below.

### **Department of Finance & Information Technology**

1. Provides technical assistance to operating departments in preparing grant applications, submitting reports and maintaining records.
2. Coordinates preparation and distribution of single audit reports.

### **Other Departments**

Provide assistance to the managing department as identified during the grant application and award process.

## **SINGLE AUDIT ACT REQUIREMENTS**

### **Background**

The City is subject to the financial and compliance requirements of the Single Audit Act of 1984, which is applicable to all local and state governments expending more than \$500,000 in federal financial assistance during a fiscal year. The purpose of the Act is to:

1. Improve the financial management and accountability of state and local governments with respect to federal financial assistance programs.
2. Establish uniform requirements for audits of federal grants.
3. Promote efficient and effective use of audit resources.
4. Assure that federal departments and agencies rely upon and use audit work performed during a single audit rather than performing the audit work themselves.

Under this Act, federal grants are included under an inclusive single audit program that is incorporated into the City's annual audit and financial report preparation process. During the audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

### **City's Policy Regarding the Single Audit Approach**

For federal grants included in the scope of the City's single audit approach, it is the City's policy that all financial and compliance issues have been met through the single audit, and follow-up audits to determine these issues are not necessary unless specifically related to findings or recommendations included in the single audit report. As noted above, the purpose of the Act is to establish uniform audit requirements, promote efficient use of audit resources, and assure that federal agencies rely upon audit work already completed; its purpose is *not* to audit local agencies twice. Accordingly, the City will strongly resist any efforts by federal agencies to duplicate audit work already performed in complying with Act requirements. As such, whenever federal grantor agencies request final audits, the managing department should notify the Department of Finance in order to ensure a consistent response to these types of requests.

## **ATTACHMENT**

Grant Summary Form

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*Originally Approved by the Council on August 16, 1994 (Resolution No. 8322); Amended by the Council on December 3, 2002 (Resolution No. 9397); Updated by Finance Division on September 11, 2009*



**GRANT SUMMARY FORM**

*This form is available on the City's Intranet.*

**City of San Luis Obispo  
GRANT PROGRAM SUMMARY**

**GENERAL INFORMATION**

<b>Grant Title</b>		<b>Grant No.</b>	
<b>General Description of Grant Workscope</b>			
<b>Granting Agency</b>		<b>Agency Contact</b>	<b>Phone No.</b>
<b>Responsible Department</b>		<b>Department Contact</b>	<b>Extension No.</b>
<b>Council Approval Date</b>	<b>Application Date</b>	<b>Award Date</b>	<b>Est'd Completion Date</b>

**GRANT COST AND REVENUE SUMMARY**

<b>Program Cost Summary</b>	<b>Total</b>	<b>Grant Portion</b>
Staffing		
Contract Services		
Supplies & Other Operating Expenditures		
Capital Outlay		
Indirect Costs @ _____ % of Direct Costs		
<b>TOTAL GRANT COSTS AND REVENUES</b>	<b>\$</b>	<b>\$</b>
<b>How Was Grant Portion Determined?</b>		
<b>Is a Budget Amendment Request Required?</b>		
Yes ( ) No ( ) <i>If yes, it should be attached</i>		

**OTHER COMMENTS (note any significant or unusual compliance requirements)**


*Use reverse side if necessary to provide additional information*

<b>Prepared By</b>	<b>Date</b>

*This form does not have to be typed - legible handwritten printing is preferred*

## Section 750

### EMPLOYEE USE OF CITY PROPERTY

The City Code of Ethics states that *“employees should not use, for private gain or advantage, their City time or the City's facilities, equipment or supplies, nor should they use or attempt to use their position to secure unwarranted privileges or exemptions for themselves or others.”*

While personal use of City property is discouraged, if there is an occasion where an employee uses copiers, fax machines or makes personal phone calls, the employee must reimburse the City. Payment should be made to the cashier at your location. For use of copiers and FAX machines, payment should be made at the time of use; for telephone calls, payment should be made upon receipt of your itemized phone calls that is distributed to you monthly.

As of September 2003, the following rates for reimbursement should be used:

Copies	\$ .35 per copy
FAX	\$2.30 per page
Phone calls	Actual cost of call

## Section 760

# DONATION POLICY

### RESOLUTION NO. 8965 (1999 Series)

#### A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN LUIS OBISPO ADOPTING A CITY DONATION ACCEPTANCE POLICY

**WHEREAS**, individuals, community groups, and businesses may wish to make donations to the City in either cash or in-kind contributions that enhance projects, facilities, and programs; and

**WHEREAS**, the need for projects, facilities, and programs exceeds the City's ability to fund all such needed projects; and

**WHEREAS**, it is an acceptable and appropriate practice to accept donations, in order to enhance City programs and/or facilities to provide a higher level of service to the public.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of San Luis Obispo hereby adopts the following policy concerning the acceptance of donations:

1. The donation must have a purpose consistent with City goals and objectives
2. The City may decline any donation without comment or cause.
3. The donation will not be in conflict with any provision of the law.
4. The donation will be aesthetically acceptable to the City.
5. The donation will not add to the City's workload unless it provides a net benefit to the City.
6. The donation will not bring hidden costs such as starting a program the City would be unwilling to fund when the donation was exhausted.
7. The donation places no restriction on the City, unless agreed to by the City Council.
8. The donation shall become property of the City.
9. All donations will receive recognition appropriate to the level and nature of the donation as determined by the City. For those of a capital nature, that may be in the form of signage, marking, or naming. Any naming of Parks and Recreation facilities shall be consistent with City policy on the naming of such facilities as set forth in Resolution 8621 (1997 Series). Regardless of the recognition strategy selected, the intent shall be to appropriately honor the donor for their contribution to the community. The appearance of traditional commercial advertising shall be avoided.
10. Donations exceeding \$5,000 shall be accepted through a written agreement consistent with these guidelines and approved by the City Council. In-kind capital donations will be subject to normal City review, permitting, inspection, and insurance requirements.

Upon motion of Council Member Marx seconded by Council Member Ewan, and on the

**Donation Policy**

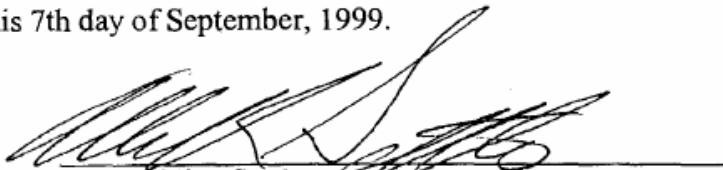
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Resolution No. 8965 (1999 Series)  
Page 2

following roll call vote:

**AYES:** Council Members Ewan, Marx, Schwartz, Vice Mayor Romero and Mayor Settle  
**NOES:** None  
**ABSENT:** None

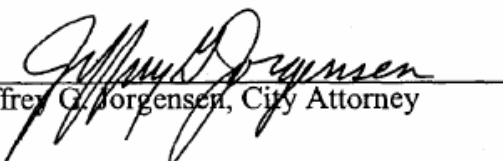
The foregoing resolution was adopted this 7th day of September, 1999.

  
Mayor Allen Settle

ATTEST:

  
Lee Price, City Clerk

APPROVED AS TO FORM:

  
Jeffrey G. Jorgensen, City Attorney

## Section 765

# PARKS AND RECREATION DONATION POLICY

## OVERVIEW

The Parks and Recreation Department has been approached many times by charitable members of the community who wish to give donations. In order to officially recognize this potential source of funding, Parks and Recreation has created a *Donation Gift Catalog*, which contains numerous donation and volunteer options.

The purpose of this policy is to establish a framework within which donations can be accepted, processed and accounted for in a manner that meets our financial reporting needs as well as federal disclosure requirements.

## GENERAL CONCEPTS AND FRAMEWORK

1. Requirements for specific donation amounts:
  - a. \$5,000 or More
    - Council Agenda Report
    - Donor Agreement
    - Written Disclosure of Contribution (see IRS rules attached)
  - b. \$5,000 or Less
    - Written Disclosure of Contribution (see IRS rules attached)
    - Donor Agreement (optional)
2. The donation should be entered into the cash register using one of the “agency” accounts noted below. The daily revenue transmittal, under PRMISC, should also indicate the account number used and the last name of the donor as a reference.
  - a. 600.2460: Parks and Recreation Contributions
  - b. 600.2461: Therapy Pool Donations
  - c. For large fundraisers Finance may set-up additional accounts
3. For small donations, the money should be used immediately toward the specific category indicated by the donor. In this case, the *Written Disclosure of Contribution* can make note of what the money was used for.
4. A Budget Amendment will be required to increase the line item expenditure when money is needed from one of the two agency funds; if related to a capital improvement plan (CIP) project, City Manager approval will be required.
5. *Donation Agreements* shall be kept by the Parks and Recreation Department for a period of three years after the date the donation has been *used*.

## ROLES AND RESPONSIBILITIES

### Parks and Recreation Department

1. Processes all donations and their agreements.

## **Parks and Recreation Donation Policy**

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2. Prepares Council Agenda Reports and receives appropriate authorization for amounts over \$5,000; and prepares City Manager Reports when this is required.
3. Initiates Budget Amendments to increase line item expenditures.
4. Issues *Written Disclosure of Contribution* letters.
5. Keeps track of specific donations and the service categories that the donations are to be used for. The *Written Disclosure of Contribution* letter can be used for this purpose whenever a formal *Donation Agreement* is not entered into.
6. Maintains *Donation Agreement* and *Written Disclosure of Contribution* files, retaining all related documents for a period of three years after the donation has been expended.

## **Department of Finance & Information Technology**

1. Enters donation revenues into the general ledger agency accounts.
2. Processes Budget Amendments to increase line item expenditures.
3. Provides reports and technical assistance when requested.

## **ATTACHMENT**

Summary of IRS Rules on Substantiation and Disclosure of Contributions

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*Approved by the City Manager on June 3, 2003*

## **IRS RULES ON SUBSTANTIATION AND DISCLOSURE OF CONTRIBUTIONS**

There are two general rules regarding substantiation and disclosure for federal income tax reporting purposes:

1. A *donor* is responsible for **obtaining a written acknowledgement** for any single contribution of \$250 or more before the donor can claim a charitable contribution on his/her income tax return.
2. The *organization* is required to **provide a written disclosure** to a donor who received goods or services in exchange for a single payment in excess of \$75.

A donor cannot claim a tax deduction for any single contribution of \$250 or more unless the donor obtains a contemporaneous, written acknowledgement of the contribution from the recipient organization. Although it is the donor's responsibility to obtain the written acknowledgment, the organization can assist by providing a timely, written statement containing the following information:

1. Name of the organization
2. Amount of cash contribution
3. Description (but not the value) of non-cash contribution
4. Statement that no goods or services were provided by the organization in return for the contribution (if that was the case)
5. Description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution.

It is not necessary to include the donor's social security or tax identification number on the acknowledgment.

### **Examples of Written Acknowledgments**

1. Thank you for your cash contribution of \$xxx that the City of San Luis Obispo received on [date] for [purpose, such as therapy pool cover). No goods or services were provided in exchange for your contribution.
2. Thank you for your cash contribution of \$xxx (over \$75) that the City of San Luis Obispo received on [date] for [purpose, such as therapy pool cover). In exchange for your donation, you received a spaghetti dinner valued at \$5.00.

## **Section 770**

# **MANAGING PEG ACCESS FUNDS**

## **OVERVIEW**

In July 2005, the Council approved the Public, Educational and Government (PEG) Access Operating Plan, as required under the current franchise agreement with Charter Communications for the release of PEG access funds collected by it from its customers. Based on the approved Operating Plan, there are three partners in this program:

1. City of San Luis Obispo
2. San Luis Coastal Unified School District (SLCUSD)
3. San Luis Obispo County Public Access Incorporated (Public Access Television)

Under the Operating Plan, each partner receives one-third of the money forwarded from Charter Communications. Disbursements are made in accordance with the Operating Plan and as well as agreements that were also entered into in July 2005 with SLCUSD and Public Access Television. The franchise agreement stipulates that PEG access funds can be used solely for acquisition and maintenance of equipment and facilities, not for operations.

## **GOALS**

1. Establish policies and procedures for managing the receipt and disbursement of PEG access funds.
2. Identify City roles and responsibilities in managing PEG access programs.

## **POLICIES AND PROCEDURES**

The purpose of the following policies and procedures is to assist in implementing the PEG Access Operating Plan and the agreements entered into with SLCUSD and Public Access Television for the allocation and use of PEG access funds, which stipulate how the funds are to be used and the terms under which funds are to be released.

### **Establishing Separate Agency Funds for Each Partner**

1. The City will establish individual interest bearing agency funds (600 series) for each of the three PEG partners.
2. As PEG access funds are received from Charter Communications, they will be credited directly to each partner's agency fund in proportion to their share of the PEG access fund (one-third each).
3. Applicable disbursements will also be made from these funds. In no case will disbursements be made to any partner in amounts in excess of the available cash balance in its fund.



### Processing Disbursements

#### *Public Access Television*

Funds will be disbursed on behalf of Public Access Television using one of the following two methods:

1. **Submit paid invoices to the City Clerk.** Upon receipt of paid invoices from Public Access Television, the City will reimburse Public Access Television within thirty (30) days of the request. All such requests must include third-party invoices clearly showing the items purchased and unit prices, as well as documentation that the invoice has been paid (such as copies of bank statements, cancelled checks or receipts).
2. **Submit unpaid invoices to the City Clerk.** Upon receipt of unpaid invoices, the City will process the request and make payments directly to vendors within 30 days of the request.

#### *San Luis Coastal Unified School District*

The City will hold all educational access funds plus interest for SLUCSD until such time as they develop their operating plan. Once in place, funds will be disbursed to SLCUSD in accordance with the approved operating plan.

#### *City of San Luis Obispo*

No purchases will be directly made from the City's PEG access agency fund. Authorization to expend funds will be subject to the City's normal budgetary procedures. Accordingly, this will typically mean establishing a Capital Improvement Plan project account in the Capital Outlay Fund and appropriating funds as approved by the Council. A transfer will then be made from the City's PEG access agency fund to the Capital Outlay Fund in accordance with the appropriation.

### Budget and Purchasing Policies

The City's budget and purchasing policies are applicable to all uses of its share of the PEG access funds. These City policies are not applicable to the SLCUSD and Public Access Television: they should use the budget and purchasing policies in place in their agencies.

### Eligible Costs

Disbursements will only be made to the partners for eligible costs. As set forth in the franchise agreement, PEG access funds cannot be used for operations: they can only be used for equipment and facilities directly related to providing PEG services. Eligible equipment and facility acquisition and maintenance costs include:

1. Reasonable costs for installation and warranties.
2. Consultant services to assist in preparing purchase specifications, not to exceed 15% of the acquisition, warranty and installation cost.

**ROLES AND RESPONSIBILITIES**

**City Council**

1. Approves the Operating Plan and agreements with Public Access Television and SLCUSD.
2. Appropriates expenditures from the City's share of PEG access funds.
3. Approves purchases from City appropriations of PEG access funds when required under the City purchasing guidelines.

**City Manager**

1. Approves policies and procedures for managing PEG access funds.
2. Approves purchases from City appropriations of PEG access funds when required under the City purchasing guidelines.

**City Clerk**

1. Administers the Operating Plan and provides general oversight and management of the PEG access agreements and funds.
2. Receives, approves and processes requests for payment from Public Access Television and SLCUSD as appropriate.
3. Manages the City's portion of PEG access program.

**Department of Finance & Information Technology**

1. Receives PEG access funds from Charter Communication and allocates one-third to each partner.
2. Processes payments to Public Access Television and SLCUSD upon receipt of vouchers from the City Clerk.
3. Approves purchases from City appropriations of PEG access funds when required under the City purchasing guidelines.
4. Allocates interest to each partner in accordance with established policies and procedures.
5. Receives and deposits any rebates and refunds to the applicable partner agency fund.

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*Approved by the City Manager on August 26, 2005.*