



SPECIAL MEETING AGENDA

Date: 9/18/2017
Time: 3:00 p.m.
City Hall/Administration Building
Conference Room 11 – 2nd Floor
701 Laurel St., Menlo Park, CA 94025

A. Call To Order

B. Roll Call

C. Public Comment

Under “Public Comment,” the public may address the Committee on any subject not listed on the agenda. Each speaker may address the Committee once under Public Comment for a limit of three minutes. Please clearly state your name and address or political jurisdiction in which you live. The Committee cannot act on items not listed on the agenda and, therefore, the Committee cannot respond to non-agenda issues brought up under Public Comment other than to provide general information.

D. Regular Business

- D1. Approval of draft meeting minutes for the Committee’s meeting on 8/8/17 ([Attachment](#))
- D2. Review and recommend for City Council approval the 2017-18 Investment Policy ([Staff Report #17-002-FA](#))
- D3. Review and discuss the City Council adopted General Fund reserve policy ([Staff Report #17-003-FA](#))
- D4. Review and comment on the DRAFT Award Authority and Bid Requirements ([Staff Report #17-004-FA](#))
- D5. Adopt future meeting schedule

E. Informational Items

- E1. Administrative Services Director’s report on Finance Division operations
- E2. Preliminary fiscal year-end report for the period ended June 30, 2017 ([Staff Report #17-199-CC](#))
- E3. City Council Adopted 2017-18 Budget – accessible online at: menlopark.org/budget

F. Adjournment

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Agendas and staff reports may also be obtained by contacting City Clerk at 650-330-6620. (Posted: 9/14/2017)

At every Regular Meeting of the Commission, in addition to the Public Comment period where the public shall have the right to address the Commission on any matters of public interest not listed on the agenda, members of the public have the right to directly address the Commission on any item listed on the agenda at a time designated by the Chair, either before or during the Commission's consideration of the item.

At every Special Meeting of the Commission, members of the public have the right to directly address the Commission on any item listed on the agenda at a time designated by the Chair, either before or during consideration of the item.

Any writing that is distributed to a majority of the Commission by any person in connection with an agenda item is a public record (subject to any exemption under the Public Records Act) and is available for inspection at the City Clerk's Office, 701 Laurel St., Menlo Park, CA 94025 during regular business hours.

Persons with disabilities, who require auxiliary aids or services in attending or participating in Commission meetings, may call the City Clerk's Office at 650-330-6620.



SPECIAL MEETING MINUTES - DRAFT

Date: 8/8/2016
Time: 2:30 p.m.
Menlo Park Library – Lower Level Meeting Room
801 Laurel St., Menlo Park, CA 94025

A. Chair Craib called the meeting to order at 2:45 p.m.

B. Roll Call

Present: Ohtaki, Tronson, Shepherd, Craib

Absent: Cline

Staff: Administrative Services Director Nick Pegueros

Brandon Cortez, Management Analyst I

Bob Gamble, PFM (independent financial advisor on debt issuance)

C. Public Comment

- Stu Soffer -
 - Questions status of Measure T spending and the third tranche of debt authorized by voters.
 - Questions whether the library should be prioritized over housing and traffic.
 - Questions the need for a new library, requested a statistics based approach to assess need.
 - Questions whether the new library is a way of getting more office space for City Hall.
- Jim Lewis –
 - Seeks update on the creation of a dashboard of the City's finances on the website.
- Cecilia Taylor –
 - Observed that the Committee's meeting was not posted to the City's homepage calendar
 - Requests that the Committee address the irregular meeting time and schedule
- Pam Jones –
 - What is the process to adjust the budget for a donation like Mr. Arrillaga's donation?
 - How does the City prioritize needs?
 - Looking for a line item detailed budget for the Library

D. Regular Business

D1. Prepare a recommendation to the City Council on funding options for the construction of a new main library facility.

Staff provided a presentation to the Committee with a special presentation from the City's financial advisor, Bob Gamble from PFM.

ACTION: Committee to reached consensus on the following recommendation to Council:

Committee recommends that the Council explore 3 options for the hypothetical funding of \$20 million for the construction of a new main library: 1) Asset sale 2) Use of unassigned fund balance from the General Fund 3) Bond issuance and/or other financing mechanism such as a line of credit, with a preference for simple financing options such as a 30-yr long term fixed rate bonds. Committee expressed appreciation to the donor for his generous offer. Committee urged clarity in the expenditures that are above and beyond the Library Needs Study report. Committee further recommends that the Council look into other needs that may make use of a bond proceeds such as a branch library or facilities at the Onetta Harris campus. The Committee recommend that additional public input needs to be solicited.

E. Informational Items

- E1. City Council Adopted 2017-18 Budget – accessible online at: menlopark.org/budget

Committee deferred review of this item due to the late time and agreed on upcoming meetings as follows:

- Monday, September 18, 2017 at 3:00PM
- Friday, November 3, 2017 at 3:00PM
- Early December to review June 30, 2017 Comprehensive Annual Financial Report (CAFR) – to be scheduled upon consultation with the City's auditor.

F. Adjournment

Chair Craib adjourned the meeting at 5:10 PM



STAFF REPORT

Finance and Audit Committee

Meeting Date: 9/18/2017
Staff Report Number: 17-002-FAC

Regular Business: Review and recommend for City Council approval the 2017-18 Investment Policy

Recommendation

Staff recommends that the Finance and Audit Committee recommend City Council approval of the 2017-18 investment policy for the City and the former Community Development Agency of Menlo Park.

Policy Issues

The investment policy provides guidelines for investing City and former Agency funds in accordance with State of California Government Code Section 53601 et seq.

Background

The investment of funds by a California local agency, including the types of securities in which an agency may invest, is governed by the California Government Code. The law requires that the legislative body of each agency adopt an investment policy, which may add further limitations than those established by the State. In addition, an agency's investment policy must be reviewed annually, and any changes must be adopted at a public meeting. The City of Menlo Park has had such a policy in place since 1990. The investment policy was last reviewed and updated by the City Council on September 13, 2016.

Annual adoption of the City's investment policy provides an opportunity to regularly review the policy to ensure its consistency with the overall objectives of safety, liquidity, and yield, as well as its relevance to current law and economic trends. Early in each fiscal year, the City's investment advisor (Insight Investment) reviews the policy to ensure it is kept up to date and in compliance with applicable State statutes. Insight also makes recommendations for strategic changes to the investment policy to position the City's portfolio to maximize yield while maintaining safety and liquidity.

The annual review of the City's investment policy provides the opportunity to make modifications to reflect changes in the investment environment. The types of modifications will vary but are often focused on providing greater diversification to maintain a safe and liquid investment portfolio. Further, the annual review is also a good time to clarify certain terms, remove ambiguity in the policy language, and better reflect changes in current market trading technologies.

Analysis

The 2017-18 Investment Policy is unchanged from the policy adopted by the City Council on September 13, 2016.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Current Investment Policy

Report prepared by:

Nick Pegueros, Administrative Services Director

City of Menlo Park

Investment Policy

The City of Menlo Park (the “City”), incorporated in 1927, is located between San Francisco and Oakland on the North, and San Jose on the South. The City is governed by a City Council (the “Council”) of five members elected at-large.

The Council has adopted this Investment Policy (the “Policy”) in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the unexpended funds of the City. All such investments will be made in accordance with the Policy and with applicable sections of the California Government Code.

This Policy was endorsed and adopted by the City Council of the City of Menlo Park on the 13th of September 2016. It replaces any previous investment policy or investment procedures of the City.

SCOPE

The provisions of this Policy shall apply to all financial assets of the City and the Community Development Agency of Menlo Park as accounted for in the City’s Comprehensive Annual Financial Report, with the exception of bond proceeds, which shall be governed by the provisions of the related bond indentures or resolutions.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance in the investment portfolio. Investment income shall be distributed to the individual funds on a monthly basis.

OBJECTIVES

The City’s funds shall be invested in accordance with all applicable municipal codes and resolutions, California statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.

DELEGATION OF AUTHORITY

The management responsibility for the City's investment program is delegated annually by the Council to the Chief Financial Officer (the "CFO") pursuant to California Government Code Section 53607. The City's Administrative Services Director of serves as the CFO. In the absence of the CFO, the Finance and Budget Manager is authorized to conduct investment transactions. The CFO may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. The CFO shall maintain a list of persons authorized to transact securities business for the City. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The CFO shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the City's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City.

The City may engage the support services of outside investment advisors in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the City's financial resources.

PRUDENCE

The standard of prudence to be used for managing the City's investments shall be California Government Code Section 53600.3, the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally without risk and that the investment activities of the City are a matter of public record. Accordingly, the City recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the City.

The CFO and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the Council and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any business interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City. In addition, the City Manager, the Assistant City Manager and the Administrative Services Director shall file a Statement of Economic Interests each year pursuant to California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the City shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686, except that, pursuant to California Government Code Section 5903(e), proceeds of bonds and any moneys set aside or pledged to secure payment of the bonds may be invested in securities or obligations described in the ordinance, resolution, indenture, agreement, or other instrument providing for the issuance of the bonds.

Any revisions or extensions of these code sections will be assumed to be part of this Policy immediately upon being enacted. However, in the event that amendments to these sections conflict with this Policy or past City investment practices, the City may delay adherence to the new requirements when it is deemed in the best interest of the City to do so. In such instances, after consultation with the City's attorney, the CFO will present a recommended course of action to the Council for approval.

The City has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes, bonds, or strips with a final maturity not exceeding five years from the date of trade settlement.
2. Federal Agency debentures, federal agency mortgage-backed securities, and mortgage-backed securities with a final maturity not exceeding five years from the date of trade settlement.
3. Federal Instrumentality (government-sponsored enterprise) debentures, discount notes, callable securities, step-up securities, and mortgage-backed securities with a final maturity not exceeding five years from the date of trade settlement. Subordinated debt may not be purchased.

4. Medium-Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium-term notes shall have a final maturity not exceeding five years from the date of trade settlement and shall be rated at least "A" or the equivalent by a nationally recognized statistical ratings organization (NRSRO), at the time of purchase.
5. Negotiable Certificates of Deposit with a maturity not exceeding five years from the date of trade settlement, in state or nationally chartered banks or savings banks that are insured by the FDIC, subject to the limitations of California Government Code Section 53638. Certificates of Deposits may be purchased only from financial institutions that meet the credit criteria set forth in the section of this Investment Policy, "Selection of Banks and Savings Banks." Depending on their maturity, Negotiable Certificates of Deposit shall have a short-term rating of at least A-1+ or the equivalent by a NRSRO at the time of purchase.
6. Non-negotiable Certificates of Deposit and savings deposits with a maturity not exceeding five years from the date of trade settlement, in FDIC insured state or nationally chartered banks or savings banks that qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5. Deposits exceeding the FDIC insured amount shall be secured pursuant to California Government Code Section 53652.
7. Municipal and State Obligations:
 - A. Municipal bonds with a final maturity not exceeding five years from the date of trade settlement. Such bonds include registered treasury notes or bonds of any of the 50 United States and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the states. Such obligations must be rated at least "A", or the equivalent, by a NRSRO at the time of purchase.
 - B. In addition, bonds, notes, warrants, or other evidences of indebtedness of any local agency in California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Such obligations must be rated at least "A", or the equivalent, by a NRSRO at the time of purchase.
8. Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:
 - A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500 million, and (3)

have debt other than commercial paper, if any, that is rated at least "A" or the equivalent or higher by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program-wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond, and (3) have commercial paper that is rated at least "A-1" or the equivalent or higher by a NRSRO.

9. Eligible Banker's Acceptances with a maturity not exceeding 180 days from the date of trade settlement, issued by a national bank with combined capital and surplus of at least \$250 million, whose deposits are insured by the FDIC, and whose senior long-term debt is rated at least "A" or the equivalent by a NRSRO at the time of purchase.
10. Repurchase Agreements with a final termination date not exceeding 30 days collateralized by the U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities listed in items #1 through #3 above, with the maturity of the collateral not exceeding five years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the City's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with banks and with broker/dealers who are recognized as Primary Dealers with the Federal Reserve Bank of New York, or with firms that have a primary dealer within their holding company structure. Repurchase agreement counterparties shall execute a City approved Master Repurchase Agreement with the City. The CFO shall maintain a copy of the City's approved Master Repurchase Agreement along with a list of the banks and broker/dealers who have executed same.

11. State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1.
12. Money Market Funds registered under the Investment Company Act of 1940 which (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized in this Policy and (4) have a rating of at least "AAA" or the equivalent by at least two NRSROs.

Securities that have been downgraded to a level that is below the minimum ratings described herein may be sold or held at the City's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

It is the intent of the City that the foregoing list of authorized securities and transactions be strictly interpreted. Any deviation from this list must be preapproved by resolution of the City Council.

INVESTMENT DIVERSIFICATION

The City shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets, and the City's anticipated cash flow needs.

Securities shall not exceed the following maximum limits as a percentage of the total portfolio:

Type of Security	Maximum Percentage of the Total Portfolio
U.S. Treasury Obligations	100%
Federal Agency Securities†	100%†
Federal Instrumentality Securities†	100%†
Repurchase Agreements	100%
Local Government Investment Pools	100%
Aggregate amount of Certificates of Deposit, Negotiable and Non-Negotiable*	25%
Aggregate amount of Prime Commercial Paper*	25%
Aggregate amount of Money Market Funds*	20%
Aggregate amount of Municipal Bonds*	30%
Aggregate amount of Eligible Banker's Acceptances*	15%
Aggregate amount of Medium-Term Notes*	30%

† No more than 20% of the City's total portfolio shall be invested in mortgage-backed securities.

*No more than 5% of the City's total portfolio shall be invested in any one issuer/financial institution and/or its affiliates.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The City will not invest in securities maturing more than five years from the date of trade settlement unless the Council has, by resolution, granted authority to make such an investment at least three months prior to the date of

investment. The sole maturity distribution range shall be from zero to five years from the date of trade settlement.

SELECTION OF BROKER/DEALERS

The CFO shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the City to purchase securities only from those authorized firms. To be eligible, a firm must be licensed by the State of California as a broker/dealer as defined in Section 25004 of the California Corporations Code.

The City may engage the services of investment advisory firms to assist in the management of the portfolio and investment advisors may utilize their own list of approved Broker/Dealers. The list of approved firms shall be provided to the City on an annual basis or upon request.

In the event that an external investment advisory firm is not used in the process of recommending a particular transaction, each authorized broker/dealer shall be required to submit and annually update a City approved Broker/Dealer Information Request form which includes the firm's most recent financial statements. The CFO shall maintain a list of the broker/dealers that have been approved by the City, along with each firm's most recent broker/dealer Information Request form.

The City may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 8 of the Authorized Securities and Transactions section of this Policy.

COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the City is offered a security for which there is no other readily available competitive offering, the CFO will then document quotations for comparable or alternative securities.

SELECTION OF BANKS AND SAVINGS BANKS

The CFO shall maintain a list of authorized banks and savings banks that are approved to provide banking services for the City. To be eligible to provide banking services, a financial institution shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and must be a member of the FDIC. The City shall utilize SNL Financial Bank Insight ratings to perform credit analyses on banks seeking authorization. The analysis shall include a composite rating and individual ratings of liquidity, asset quality, profitability and capital adequacy. Annually, the CFO shall review the most recent credit rating analysis reports performed for each approved bank. Banks that in the judgment of the CFO no longer offer adequate safety to the City shall be removed from the City's list of authorized banks. Banks failing to meet the criteria outlined above, or in the judgment of the CFO no longer offer adequate safety to the City, will be removed from the list. The CFO shall maintain a file of the most recent credit rating analysis reports performed for each approved bank. Credit analysis shall be performed on a semi-annual basis.

SAFEKEEPING AND CUSTODY

The CFO shall select one or more financial institutions to provide safekeeping and custodial services for the City, in accordance with the provisions of Section 53608 of the California Government Code. Custodian banks will be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services. The CFO shall maintain a file of the credit rating analysis reports performed semi-annually for each approved financial institution. A Safekeeping Agreement approved by the City shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities purchased by the City will be delivered by book entry and will be held in third-party safekeeping by a City approved custodian bank, or its Depository Trust Company (DTC) participant account.

PORTFOLIO PERFORMANCE

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the City's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's actual weighted average effective maturity. When comparing the performance of the City's portfolio, its rate of return will be computed net of all fees and expenses.

PORTFOLIO REVIEW AND REPORTING

Credit criteria and maximum percentages listed in this section refer to the credit of the issuing organization and/or maturity at the time the security is purchased. The City may, from time to time, be invested in a security whose rating is downgraded below the minimum ratings set forth in this Policy. In the event a rating drops below the minimum allowed rating category for that given investment type, the Administrative Services Director shall notify the City Manager

and/or Designee and recommend a plan of action. Appropriate documentation of such a review, along with the recommended action and final decision shall be retained for audit.

Quarterly, the CFO shall submit to the Council a report of the investment earnings and performance results of the City's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the City;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
4. A statement of compliance with this Investment Policy or an explanation for non-compliance; and
5. A statement of the ability to meet expenditure requirements for six months, as well as an explanation of why money will not be available if that is the case.

POLICY REVIEW

This Investment Policy shall be adopted by resolution of the City Council annually. It shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. Any amendments to the Policy shall be reviewed by the City's Finance/Audit Committee prior to being forwarded to the City Council for approval.



STAFF REPORT

Finance and Audit Committee

Meeting Date: 9/18/2017
Staff Report Number: 17-003-FAC

Regular Business: Review and discuss the City Council adopted General Fund reserve policy

Recommendation

Staff recommends that the Finance and Audit Committee review and discuss the City Council adopted General Fund reserve policy.

Policy Issues

The General Fund reserve policy was originally established by the City Council in 2011 to comply with Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Background

On October 7, 2014, the City Council reviewed and adopted the attached General Fund reserve policy. As part of the City Council's review of the 2017-18 budget, the Council asked staff to return with a report on the General Fund reserve policy to explore the following questions:

1. Is the reserve target for the Emergency Contingency adequate to meet the City's needs in the event of a major emergency?
2. Are there any adjustments recommended to other reserves?
3. How are revenues resulting from the growth resulting from the General Plan utilized to enhance community amenities?

Analysis

Staff is seeking input from the Committee on the City Council's abovementioned questions.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. City Council Staff Report #14-159

Report prepared by:
 Nick Pegueros, Administrative Services Director



FINANCE DEPARTMENT

Council Meeting Date: September 9, 2014
Staff Report #: 14-159

Agenda Item #: I-1

INFORMATIONAL ITEM: **Draft Update of General Fund Reserve Policy
Incorporating Reserve for Pension Costs**

RECOMMENDATION

This is an informational item and does not require Council action.

BACKGROUND

On June 7, 2011, Council adopted a resolution establishing a fund balance policy for the General Fund (staff report 11-087). This policy was established to comply with Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The purpose of this statement is to improve financial reporting by providing fund balance categories that are more clearly defined, understood, and applied. As a part of this policy, Council formally committed available fund balance for two different purposes. \$6 million was committed for emergency contingencies such as natural disasters, catastrophic accidents, or other declared emergency incidents. Another \$8 million was committed to stabilize the delivery of City services during periods of severe operational budget deficits, and to mitigate the effects of major economic uncertainties.

On January 14, 2014, a study session was held to update Council on the current status of the City's pension plan, which is administered by the California Public Employees Retirement System (CalPERS). Council directed staff to establish a CalPERS-related reserve and provide initial funding of \$1 million from the General Fund's unassigned fund balance. Council also directed staff to return with a recommended utilization policy and plan to provide additional funding to this reserve.

The Finance and Audit Committee reviewed the updated fund balance policy for the General Fund at its July 16, 2014 meeting and supports the proposed changes.

ANALYSIS

Per Council direction, staff has drafted an amended General Fund Reserve Policy to incorporate the newly established Strategic Pension Funding Reserve. This update includes utilization criteria and a plan for additional funding. Specifically, the amendment to the policy reads:

Strategic Pension Funding Reserve

The City of Menlo Park participates in the California Public Employees Retirement System (CalPERS), which provides members with a defined-benefit pension based on years of service. CalPERS is funded by a combination of investment earnings on the CalPERS portfolio, contributions by employees, and contributions by employers (the City). Contribution rates for employers are variable and change annually based on a number of factors, including investment returns, benefits changes, and changes to actuarial assumptions. To mitigate the operational impact of employer contribution rate volatility, as well as to set aside funding for strategic opportunities to reduce the City's pension liability, \$1 million of the General Fund's previously unassigned reserve was committed by Council action on January 14, 2014, to establish the Strategic Pension Funding Reserve. Subsequent to January 14, 2014, 25% of the General Fund's final operating surplus, should there be one, will be added annually to the Strategic Pension Fund Reserve upon completion of the City's Comprehensive Annual Financial Report. City Council approval shall be required before expending any portion of this committed fund balance. Examples of the types of situations in which funds would be expended from the Strategic Pension Fund Reserve include, but are not limited to:

- To mitigate the impact of a significant year-over-year increase in employer contribution rates due to actions outside of the City's control, such as poor investment returns in the CalPERS portfolio and/or changes to actuarial assumptions.
- To take advantage of opportunities to make non-recurring payments to CalPERS that will reduce the City's pension liabilities, such as paying down or paying off a side fund or other unfunded liability.

Prior to proceeding with a resolution to amend the General Fund Reserve Policy to incorporate this change, the draft update is being provided to Council to present an opportunity for feedback or further direction. Should Council wish to provide feedback or further direction, an updated draft policy amendment will be brought back in another informational staff report. If Council is satisfied that the draft policy amendment meets the intended outcome, a formal resolution to modify the General Fund Reserve Policy will be provided to Council at an upcoming meeting.

IMPACT ON CITY RESOURCES

There is no net fiscal impact to the General Fund for amending the General Fund Reserve Policy, as total fund balance remains unchanged.

POLICY ISSUES

Amending the General Fund Reserve Policy to incorporate a Strategic Pension Funding Reserve provides a mechanism to mitigate employer contribution rate volatility that impacts the City's pension costs, as well as provide funding to make non-recurring payments to CalPERS to reduce pension liabilities as it makes financial sense. This will

help ensure that the City continues to prudently fund its pension obligation while mitigating the impact of employer contribution rate volatility on service delivery.

ENVIRONMENTAL REVIEW

No environmental review is required.

PUBLIC NOTICE

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENTS

- A. Draft General Fund Reserve Policy (Redline Version)

Report prepared by:

Drew Corbett

Finance Director

City of Menlo Park

City Council Policy

Department

City Council

Page 1 of 4

Effective Date**Subject**

Fund Balance for the General Fund

Approved by

Procedure #

Purpose:

A fund balance policy helps ensure that the City can:

- Quickly respond to unexpected situations such as natural disasters.
- Weather economic recessions and other cyclical revenue downturns while avoiding large variations in taxes and fees or variations in the type and quality of municipal services provided.
- Avoid the need for short-term borrowing to cover delays in revenue receipt.
- Pursue strategic and opportunistic projects or activities.

This policy establishes the amounts the City of Menlo Park will strive to maintain in its fund balance, how the fund balance will be funded, and the conditions under which fund balance may be spent.

Background:

The City of Menlo Park has always maintained a high level of General Fund reserves, which has contributed to good standings with credit rating agencies; provided financial flexibility in economic downturns; contributed a source of investment income for General Fund operations; and assured financial coverage in the event of future emergencies.

Policy:

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the City against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement no. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The policy will be reviewed annual by the Council for revisions as appropriate.

Procedures:

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent.

- Nonspendable fund balance (inherently nonspendable)
- Restricted fund balance (externally enforceable limitation on use)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. An example of nonspendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This policy is focused on financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

City of Menlo Park

City Council Policy

Department

City Council

Page 2 of 4

Effective Date**Subject**

Fund Balance for the General Fund

Approved by

Procedure #

Committed Fund Balance –

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

General Fund Emergency Contingency

The City of Menlo Park's General Fund balance committed for emergency contingencies is established at \$6,000,000. The City Council may wish to increase or decrease this amount, with the goal of providing an amount equivalent to 15-20 percent of the City's annual operating budget for the General Fund. This range should be sufficient to allow for a quick and decisive municipal response to events such as natural disasters, catastrophic accidents, or other declared emergency incidents. As defined in the resolution establishing this commitment, the specific uses are listed as the declaration of a state or federal state of emergency or a local emergency as defined in the Menlo Park Municipal Code Section 2.44.010. The City Council may, by the affirming vote of three members, change the amount of this commitment and/or the specific uses of these monies.

Economic Stabilization

The City of Menlo Park's General Fund balance committed for the purpose of stabilizing the delivery of City services during periods of severe operational budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen change in revenues and/or expenditures is established at \$8,000,000. The City Council may wish to increase or decrease this amount, with the goal of providing an amount equivalent to 20-25 percent of the City's annual operating budget for the General Fund. This range serves as a sufficient cushion, safeguarding the City's fiscal health against fluctuations in revenues and costs due to economic volatility. City Council approval shall be required before expending any portion of this committed fund balance. Access to these funds will be reserved for economic emergency situations. Examples of such emergencies include, but are not limited to:

- An unplanned, major event such as a catastrophic disaster requiring expenditures which exceed the General Fund Emergency Contingency Reserve
- Budgeted revenue taken over by another entity
- Drop in projected/actual revenue of more than five percent of the General Fund's adopted revenue budget

City of Menlo Park

City Council Policy

Department
City Council

Page 3 of 4

Effective Date

Subject

Fund Balance for the General Fund

Approved by

Procedure #

Strategic Pension Funding Reserve

The City of Menlo Park participates in the California Public Employees Retirement System (CalPERS), which provides members with a defined-benefit pension based on years of service. CalPERS is funded by a combination of investment earnings on the CalPERS portfolio, contributions by employees, and contributions by employers (the City). Contribution rates for employers are variable and change annually based on a number of factors, including investment returns, benefits changes, and changes to actuarial assumptions. To mitigate the operational impact of employer contribution rate volatility, as well as to set aside funding for strategic opportunities to reduce the City's pension liability, \$1 million of the General Fund's previously unassigned reserve was committed by Council action on January 14, 2014, to establishing the Strategic Pension Funding Reserve. Subsequent to January 14, 2014, 25% of the General Fund's final operating surplus, should there be one, will be added annually to the Strategic Pension Fund Reserve upon completion of the City's Comprehensive Annual Financial Report. City Council approval shall be required before expending any portion of this committed fund balance. Examples of the types of situations in which funds would be expended from the Strategic Pension Fund Reserve include, but are not limited to:

- To mitigate the impact of a significant year-over-year increase in employer contribution rates due to actions outside of the City's control, such as poor investment returns in the CalPERS portfolio and/or changes to actuarial assumptions.
- To take advantage of opportunities to make non-recurring payments to CalPERS that will reduce the City's pension liabilities, such as paying down or paying off a side fund or other unfunded liability.

Assigned Fund Balance –

Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the City Manager for the purpose of reporting these amounts in the annual financial statements. A few examples of assigned fund balance follow.

- Encumbrances – materials and services on purchase order and contracts which are unperformed
- Reappropriations – appropriated by the Council for specific projects or programs that were not completed and not encumbered by year end
- GASB 31 Adjustment – unrealized investment gains that have been recorded in the financial statements in accordance with GASB 31
- Infrastructure Maintenance Projects – amounts to be transferred to the General CIP Fund for such projects in the subsequent fiscal year adopted budget
- Comprehensive Planning Projects – amounts needed to fully fund such projects as outlined in the 5-Year Capital Improvement Plan for the subsequent fiscal year

Unassigned Fund Balance –

These are residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories.

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City of Menlo Park

City Council Policy

Department
City Council

Page 4 of 4

Effective Date

Subject
Fund Balance for the General Fund

Approved by

Procedure #

Amounts held in reserve:

The total goal range for the City's unrestricted fund balance (includes Commitments and Assignments of fund balance) is 43% to 55% of General Fund expenditures.

From time-to-time, the Council may find it prudent to set aside funds for an existing need, priority or investment in the community. Amounts in excess of the established target levels may be shown as additional commitments or assignments of the General Fund balance. Such assignments will be reviewed with each fiscal year operating budget to determine if the funding is still necessary or can be released to the General Fund reserves.

Funding of General Fund balance targets:

Funding of General Fund balance targets will come generally from one-time revenues, one-time expenditure savings, excess fund balance (e.g., unused or reversed assignment or commitments), and revenues in excess of projected expenditures.

Conditions for use and replenishment of reserves:

Use of Reserves

It is the intent of the City to limit use of General Fund balances to address unanticipated, one-time needs or opportunities. Fund balances shall not be applied to recurring annual operating expenditures. Reserves will be used to the extent annual expenditures exceed revenues as reported in the City's annual audited financial statements (an operating deficit). Reserves may also be used to allow for an investment in the City's long-term assets as approved by the City Council.

Authority to Use Reserves

The City Manager may authorize use of reserves consistent with the purposes described above, including amounts authorized in the fiscal period's budget.

Replenishment of Reserves

Reserves will be replenished to the extent annual revenues exceed expenditures as reported in the City's annual audited financial statements (an operating surplus). Revenues in excess of expenditures at the end of a fiscal year shall be used to first satisfy committed contingency requirements before appropriating for other uses.

Flow of funds:

Restricted fund balances will be expended before unrestricted fund balances when expenditures are incurred for purposes for which both are available. Unrestricted fund balances will be exhausted in the order of assigned, unassigned, and committed when expenditures are incurred for which any of these fund balances are available.



STAFF REPORT

Finance and Audit Committee

Meeting Date: 9/18/2017
Staff Report Number: 17-004-FAC

Regular Business: Review and comment on the DRAFT Award Authority and Bid Requirements

Recommendation

Staff recommends that the Finance and Audit Committee review the draft award authority and bid requirement policy.

Policy Issues

In accordance with Menlo Park Municipal Code Chapter 2.42.030, the City Manager shall recommend and the City Council shall approve policies and procedures necessary to implement the purchasing system.

Background

As a result of the City's June 30, 2016 audit, the auditors noted that the City's purchasing policies regarding purchase orders were not consistently applied and recommended City attention to this matter. The current City Council approved purchasing policy was last updated in 2001.

Analysis

Staff is seeking Committee feedback on the draft award authority and bid requirement policy which would address the most critical aspects of the purchasing policy while allowing greater time to explore and develop revisions to other elements of the purchasing policy.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

- A. Menlo Park Municipal Code Chapter 2.42 – Purchasing system
- B. 2001 Purchasing Policies and Procedures
- C. Draft Award Authority and Bid Requirement policy

Report prepared by:
 Nick Pegueros, Administrative Services Director

Chapter 2.42 PURCHASING SYSTEM

Sections

- [2.42.010](#) Adoption.
- [2.42.020](#) Definitions.
- [2.42.030](#) Purchasing policies, procedures, limits and functions.
- [2.42.040](#) Use of purchase orders.
- [2.42.050](#) Emergency purchases.
- [2.42.060](#) Purchases without bidding.
- [2.42.070](#) Sole source procurement.
- [2.42.080](#) Informal bidding procedure.
- [2.42.090](#) Formal bidding procedure.
- [2.42.100](#) Notice inviting bids.
- [2.42.110](#) Bid opening procedure.
- [2.42.120](#) Bidder's security.
- [2.42.130](#) Rejection of bids; award of contracts.
- [2.42.140](#) Tie bids.
- [2.42.150](#) Performance bonds.
- [2.42.160](#) Surplus supplies and equipment.
- [2.42.170](#) Requirements for public projects.
- [2.42.180](#) Waiver of irregularity, rejection of bids, failure to receive bids, options on public projects.
- [2.42.190](#) Lowest responsible bidder determination.
- [2.42.200](#) Change orders.
- [2.42.210](#) Prohibition against splitting projects.
- [2.42.220](#) Affirmative action—Penalty for noncompliance.

2.42.010 Purpose.

A purchasing system is adopted for the purpose of establishing efficient procedures for the purchase of supplies, services, equipment and public projects for the city, at the lowest cost commensurate with required quality, to exercise positive financial control over purchases that meet legal requirements and generally accepted accounting principles, and to define authority for the purchasing function. (Ord. No. 962, § 2, 10-28-2008)

2.42.020 Definitions.

"Bidder's List" means a list of qualified contractors, identified according to categories of work. Minimum criteria for development and maintenance of the list shall be determined by the California Uniform Construction Cost Accounting Commission.

"Change Order" means the written authorization from the City directing an addition, deletion or revision to an awarded purchase order or contract.

"Facility" is generally defined as any plant, building, structure, ground facility, utility system, real property, streets and highways, or other public work improvement.

"Maintenance Work" means and includes (1) routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes; (2) minor repainting; (3) resurfacing of streets and highways at less than one (1) inch; (4) landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems; and (5) work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, powerplants, and electrical transmission lines of two hundred thirty thousand (230,000) volts and higher.

"Public Project" means any of the following: (1) construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility; or (2) painting or repainting of any publicly owned, leased, or operated facility. A Public Project does not include Maintenance Work.

"Purchasing Agent" means the City Manager and his/her designee. (Ord. No. 962, § 2, 10-28-2008)

2.42.030 Purchasing policies, procedures, limits and functions.

The City Manager shall recommend and the City Council shall approve policies and procedures necessary to implement a purchasing system compliant with Section [2.42.010](#), which will include the necessary assignment of duties in order to carry out those policies and procedures. Those policies and procedures shall include dollar limits associated with the purchase of goods, supplies and services, professional services agreements, and Public Projects. Such dollar limits shall be reviewed and modified based upon City Council resolution on a periodic basis as determined by the City Manager. In accordance with the adopted policies and procedures, the purchasing agent is authorized pursuant to the authority granted by this Chapter to:

- A. Purchase or contract for supplies, services, equipment and public projects required by City departments;
- B. Negotiate and recommend execution of contracts for the purchase of supplies, services, equipment, and public projects;
- C. Comply with the requirements of the California Public Contracts Code, including the provisions of the Uniform Cost Accounting Act (California Public Contract Code Section [22000](#) et seq.) for competitive bidding of public projects;
- D. Prescribe and maintain forms required by this Chapter;
- E. Supervise the inspection of all supplies and equipment purchased to ensure conformance with contract documents;
- F. The individual departments who use this ordinance will be responsible for maintaining a bidders' list of the vendors that are capable of supplying the various goods, supplies and services required by the City;

- G. Encourage competitive bidding as set forth in this Chapter;
- H. Act to procure for the City the necessary quality in supplies, services, equipment, and public projects at the lowest cost to the City;
- I. Execute the provisions contained in this Chapter and provide administrative interpretation and advice on the provisions contained herein. (Ord. No. 962, § 2, 10-28-2008)

2.42.040 Use of purchase orders.

Purchases of supplies, materials, equipment and services of any amount greater than the minimum amount established in the City's purchasing policy shall be made only by purchase orders. (Ord. No. 962, § 2, 10-28-2008)

2.42.050 Emergency purchases.

When repairs or replacements are necessary in an emergency, the City Council, by a four-fifths vote, declaring that the public interest and necessity demand the immediate expenditure of money to safeguard life, health or property, may proceed at once to replace or repair any public facility without adopting plans, specifications, or working details, or giving notice of bids to let contracts, and without otherwise complying with the requirements of this Chapter. For purposes of this Section the term "emergency" shall mean a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services. The work may be done by day labor, by contract, or by a combination of the two (2).

- A. Prior to taking such action, the City Council shall make a finding, based on substantial evidence in the minutes of its meeting, that the emergency will not permit a delay resulting from a competitive solicitation for bids, and that the action is necessary to respond to an emergency.
- B. If the City Council orders emergency action, it shall review the emergency action at its next regularly scheduled meeting and, except as specified below, at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is a need to continue the action.
- C. For the purposes of this Section, the City Manager is hereby delegated the authority to declare the public emergency in such circumstances when it is not feasible for the City Council to meet to do so, and take such actions as he or she deems necessary, consistent with the provisions of this Section. The City Manager's actions shall be subject to prompt review by the City Council as to the need to continue the emergency action, in accordance with the provisions of Public Contract Code Section [22050](#).
- D. When the City Council reviews the emergency action, it shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the action may be completed by giving notice for bids to let contracts. (Ord. No. 962, § 2, 10-28-2008)

2.42.060 Purchases without bidding.

Purchases of supplies, services and equipment of an estimated value less than so stated in purchasing policy limits may be made by the purchasing authority by force account, negotiated contract or purchase order. (Ord. No. 962, § 2, 10-28-2008)

2.42.070 Sole source procurement.

In those situations where the procurement of any product is obtainable only from a single or sole source, and not adaptable to competitive bidding, the purchasing agent shall negotiate with the purveyor of such equipment, product, supply or service, to the end that the City receives the desired equipment, product, supply, or service on fair and equitable terms, without observing the bidding procedures prescribed in this Chapter. (Ord. No. 962, § 2, 10-28-2008)

2.42.080 Informal bidding procedure.

Purchases of supplies, services and equipment of a value less than so stated in purchasing policy limits, may be made by the purchasing agent by observing the informal bid procedure.

A. Purchases shall, wherever possible, be based on at least three (3) bids, and shall be awarded to the lowest responsible bidder.

B. The purchasing agent may solicit bids by written requests to prospective vendors, by telephone or email or by any other means deemed effective. (Ord. No. 962, § 2, 10-28-2008)

2.42.090 Formal bidding procedure.

All purchases of supplies, services, and equipment of an estimated value greater than the stated purchasing policy limits shall be based on competitive sealed written bids, with the lowest or highest responsible bidder as the case may be, pursuant to the procedure hereinafter prescribed. (Ord. No. 962, § 2, 10-28-2008)

2.42.100 Notice inviting bids.

Notices inviting bids shall include a general description of the supplies, services, or equipment to be purchased and shall state where bid blanks and specifications may be secured and the time and place for opening bids.

A. Notices inviting bids shall be published at least ten (10) days before the date of the opening of the bids. Notice shall be published at least once in a newspaper of general circulation, published in the area of the City.

B. The purchasing agent shall also solicit sealed bids from responsible prospective suppliers whose names are on the bidders' list or who have made written request that their names be added thereto. (Ord. No. 962, § 2, 10-28-2008)

2.42.110 Bid opening procedure.

Sealed bids shall be submitted to the City and shall be identified as "bids" on the envelope. Bids shall be opened in public at the time and place stated in the bid notice. A tabulation of all bids received

shall be open for public inspection during regular business hours for a period of not less than thirty (30) calendar days after the bid opening. (Ord. No. 962, § 2, 10-28-2008)

2.42.120 Bidder's security.

When deemed necessary by purchasing agent, bidders' security may be prescribed in the public notices inviting bids. Bidders shall be entitled to return of bid security; provided, however, that a successful bidder shall forfeit his or her bid security upon his or her refusal or failure to execute that contract within ten (10) days after the notice of award of contract has been mailed, unless in the latter event the city is solely responsible for the delay in executing the contract. The City Council, on refusal or failure of the successful bidder to execute the contract, may award it to the next lowest responsible bidder or reject all bids. If the City Council awards the contract to the next lowest responsible bidder, the amount of the lowest bidder's security shall be applied by the City to the contract price differential between the lowest bid and the second lowest bid, and the surplus, if any, shall be returned to the lowest bidder. If the City Council rejects all bids presented and re-advertises, the amount of the lowest bidder's security may be used to offset the cost of receiving new bids, and the surplus, if any shall be returned to the lowest bidder. (Ord. No. 962, § 2, 10-28-2008)

2.42.130 Rejection of bids; award of contracts.

A. At its discretion, the City Council or purchasing agent may reject any and all bids presented and re-advertise for bids.

B. Except as otherwise provided in this Chapter, contracts shall be awarded by the City Council to the lowest responsible bidder. (Ord. No. 962, § 2, 10-28-2008)

2.42.140 Tie bids.

If two (2) or more bids received are for the same total amount or unit price, quality and service being equal, and if the public interest will not permit the delay for readvertising for bids, the City Council or purchasing agent may, in its discretion, accept the bid it chooses or accept the lowest bid made after negotiation with the tie bidders. (Ord. No. 962, § 2, 10-28-2008)

2.42.150 Performance bonds.

The City Council or the purchasing agent shall have authority to require a performance bond before entering a contract in such amount as it finds reasonably necessary to protect the best interest of the City. If the City Council or purchasing agent requires a performance bond, the form and the amount of the bond shall be described in the notice giving bids. (Ord. No. 962, § 2, 10-28-2008)

2.42.160 Surplus supplies and equipment.

All departments shall submit to the purchasing agent, at such time and in such forms as prescribed, reports showing all supplies and equipment which are no longer used or which have become obsolete or worn out. The purchasing agent shall have authority to sell or exchange for or trade in on new supplies and equipment which cannot be used by any agency or which have become unsuitable for City use. (Ord. No. 962, § 2, 10-28-2008)

2.42.170 Requirements for public projects.

Awarding contracts for public projects shall be in accordance with the Uniform Public Construction Cost Accounting Act, Public Contract Code Sections [22000](#) et seq., or any successor provision thereto.

A. Informal Bidding.

1. Public projects of one hundred twenty-five thousand dollars (\$125,000.00) or less may be let to contract by informal procedures as set forth in this Section. This limit shall be automatically adjusted from time to time to reflect changes in the limits established by the State of California.
2. Informal bidding shall be governed by the uniform construction cost accounting procedures set forth in Public Contract Code Section [22030](#) et seq., or any successor provision thereto.
3. Contractors shall be selected to perform public projects in accordance with the provisions of Public Contract Code Section [22034](#)(a) through (f).
 - a. The City shall maintain a bidder's list. Not less than ten (10) calendar days before bids will be due, the City will mail notices inviting informal bids to all contractors on the bidder's list and/or all trade journals specified pursuant to Public Contract Code Section [22034](#)(b). If there is no list of qualified contractors maintained by the city for the particular category of work to be performed, the notice inviting bids shall be sent only to the construction trade journals specified by the California Uniform Construction Cost Accounting Commission. If the product or service is proprietary in nature such that it can be obtained only from a certain contractor or contractors, the notice inviting informal bids may be sent exclusively to such contractor or contractors.
 - b. Nothing herein shall prevent the city from rejecting any or all bids as permitted by law.
4. The notice inviting informal bids shall describe the project in general terms, how to obtain more detailed information about the project, and shall state the time and place for the submission of bids.
5. If all bids received are in excess of one hundred twenty-five thousand dollars (\$125,000.00), the City Council may, by adoption of a resolution by four-fifths vote, award the contract, at one hundred thirty-seven thousand five hundred dollars (\$137,500.00) or less, to the lowest responsible bidder, if it determines the cost estimate of the City was reasonable.

B. Formal Bidding. Bidding on all other public projects not governed by the provisions of paragraph A. above, shall be in accordance with the procedures set forth in Public Contract Code Section [22037](#) et seq.

1. The purchasing agent shall authorize issuance of notices inviting formal bids which shall include a general description of the public project to be constructed, shall state where bid forms and specifications may be secured, and the time and place for opening bids.

2. Notices inviting bids published and posted at least fourteen (14) calendar days before the date of opening the bids in a newspaper of general circulation as provided for in California Public Contract Code Section [22037](#).

3. The purchasing agent may require a bid to include prices for items that may be added to, or deducted from, the scope of work in the contract for which the bid is being submitted. Whenever additive or deductive items are included in a bid, the bid solicitation shall specify which one of the following methods will be used to determine the lowest bid. In the absence of a specification, only the method provided by subsection A.3.a. of this section will be used.

a. The lowest bid shall be the lowest bid price on the base contract without consideration of the prices on the additive or deductive items.

b. The lowest bid shall be the lowest total of the bid prices on the base contract and those additive or deductive items that were specifically identified in the bid solicitation as being used for the purpose of determining the lowest bid price.

c. The lowest bid shall be the lowest total of the bid prices on the base contract and those additive or deductive items that when taken in order from a specifically identified list of those items in the solicitation, and added to, or subtracted from, the base contract, are less than, or equal to, a funding amount publicly disclosed by the city before the first bid is opened.

d. The lowest bid shall be determined in a manner that prevents any information that would identify any of the bidders or proposed subcontractors or suppliers from being revealed to the public entity before the ranking of all bidders from lowest to highest has been determined.

4. A responsible bidder who submitted the lowest bid as determined by this section shall be awarded the contract, if it is awarded. This section does not preclude the City from adding to or deducting from the contract any of the additive or deductive items after the lowest responsible bidder has been determined.

5. Nothing in this Section shall preclude the prequalification of general contractors or subcontractors.

6. The purchasing agent shall also solicit sealed bids from all responsible prospective bidders whose names are on the bidders' list or who have made written request that their names be added thereto.

7. The purchasing agent shall also advertise bids by a notice posted at a publicly accessible location at City offices. Such posting places can include, but shall not be limited to, electronically accessible locations such as the city's web site or by other means that reasonably allow prospective bidders to be notified of pending purchases. (Ord. No. 962, § 2, 10-28-2008)

2.42.180 Waiver of irregularity, rejection of bids, failure to receive bids, options on public projects.

A. At its discretion, the purchasing agent may waive any irregularity in any bid received and award the contract.

B. At its discretion, the purchasing agent may reject all bids presented. If the purchasing agent, prior to rejecting all bids, declares that the project can be more economically performed by City employees and furnishes a written notice to an apparent low bidder mailed at least two (2) business days prior to the hearing at which the City intends to reject the bid, the purchasing agent may:

1. Abandon the project or readvertise for bids.
2. Declare that the project can be performed more economically by City employees, and order the project done by force account.

C. If no bids are received, the project may be performed by the city employees by force account or by negotiated contract entered into without need for further bidding. (Ord. No. 962, § 2, 10-28-2008)

2.42.190 Lowest responsible bidder determination.

In determining the "lowest responsible bidder," the following factors may be considered in addition to price:

- A. The ability, capacity and skill of the bidder to perform the contract or provide the service required;
- B. The character, integrity, reputation, judgment, experience and efficiency demonstrated in previous contracts or services for the City or other contracting parties;
- C. The quality of performance demonstrated in previous contracts or services for the City or other contracting parties;
- D. The previous and existing compliance by the bidder with the laws and ordinances relating to a contract or service;
- E. The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the services;
- F. The ability of the bidder to provide future maintenance and service for the use of the subject of the contract. (Ord. No. 962, § 2, 10-28-2008)

2.42.200 Change orders.

The purchasing agent is delegated authority to approve, without seeking new bids, contract change orders to public projects up to the combined amounts authorized in this ordinance so long as the combined amounts are within the approved project budget. (Ord. No. 962, § 2, 10-28-2008)

2.42.210 Prohibition against splitting projects.

It shall be unlawful to split or separate any public project into smaller work orders or projects for the purpose of circumventing or evading the requirements of the Uniform Construction Cost Accounting Act or this Chapter. (Ord. No. 962, § 2, 10-28-2008)

2.42.220 Affirmative action—Penalty for noncompliance.

Any contractor who is found by a court of competent jurisdiction or by a federal or state agency empowered to make such findings to be in substantial or material violation of the Fair Employment Practices Act of the state, or of similar federal law or executive order in the performance of a contract with the City, thereby shall be found in material breach of such contract; and thereupon the city shall have power to cancel or suspend the contract, in whole or in part, or to deduct from the amount payable to such contractor a sum as specified by purchasing policy for each person for each working day during which such person was discriminated against, as damages for such breach of contract, or both. (Ord. No. 962, § 2, 10-28-2008)

The Menlo Park Municipal Code is current through Ordinance 1015, passed January 26, 2016.

Disclaimer: The City Clerk's Office has the official version of the Menlo Park Municipal Code. Users should contact the City Clerk's Office for ordinances passed subsequent to the ordinance cited above.

Department	Page 1 of 38	Effective Date 03/16/2001
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	_____ City Manager	FIN 2001-0001

TABLE OF CONTENTS

Page

<u>INTRODUCTION</u>	3
<u>SECTION I - GENERAL INSTRUCTIONS</u>	4
<u>SECTION II - DEFINITION OF TERMS</u>	5
<u>SECTION III - GENERAL PURCHASING STRATEGIES FOR COST SAVINGS</u>	
1. COMPETITION.....	5
2. MINIMUM ESSENTIAL SPECIFICATIONS.....	5
3. STANDARD SPECIFICATIONS.....	5
4. PLANNING AHEAD.....	6
5. INFORMATION.....	6
<u>SECTION IV - VENDOR SELECTION PROCEDURE - BIDDING PROCEDURES</u>	
1. INFORMAL BIDS.....	8
2. FORMAL BIDS.....	9
<u>SECTION V - THE PURCHASING PROCESS</u>	
1. THE GENERAL PROCESS.....	12
1.1 TASKS.....	12
1.2 GENERAL INFORMATION.....	13
2. PURCHASING PROCEDURES, FORM PREPARATION & PROCESSING.....	15
2.1 PETTY CASH VOUCHER.....	15
2.2 PURCHASE CARD (Credit Card program).....	15
2.3 PURCHASE REQUISITION.....	18
2.4 PURCHASE VALIDATION.....	22
2.5 BLANKET PURCHASE ORDER AND ORDER APPROVAL FORM.....	24
2.6 BID WAIVER.....	29
2.7 CHECK REQUISITION.....	30
2.8 ANNUAL CONTRACT.....	34
<u>SECTION VI - RECEIVING AND PAYMENT PROCEDURE</u>	
1. RECEIVING MERCHANDISE AND PAYMENT OF INVOICE.....	36
2. AUTOMATIC MONTHLY PAYMENTS.....	37
<u>APPENDIX</u>	38

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 2 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	<hr/>	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES	City Manager	

INTRODUCTION

This manual is a compilation of City policies and procedures to be used when purchasing supplies and materials, fixed assets and non-professional services. The purpose of the manual is to articulate those policies, responsibilities, and procedures, and to describe and explain the various forms involved, in order to create a procedural framework that will standardize the purchasing process throughout the City.

The manual is designed to serve as a general handbook which is applicable to all departments; divided into several sections, it can serve as either a detailed procedural breakdown or a quick reference. If departments wish to break the procedures down further, they are free to do so. If the methods or procedures outlined here are not applicable to the particular circumstances, the department may consult the Awarding Authority for the proper procurement procedure.

Section I provides general instructions on how to use the manual.

Section II is a glossary of terms that are used in the manual.

Section III offers general purchasing strategies for cost savings, which all personnel should consider whenever making a purchase.

Section IV is an overview of the purchasing process. It describes general tasks, providing procedural breakdowns for quick reference, look-up tables which list parameters for the different purchasing procedures, and descriptions of the various forms and their processing.

Section V contains detailed descriptions and step-by-step breakdowns of the vendor selection procedures.

Section VI contains detailed descriptions and step-by-step breakdowns of the purchasing procedures.

Section VII contains detailed descriptions and step-by-step breakdowns of the receiving procedures.

In addition, each subsection includes statements of general and specific policies relevant to the particular procedures.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 3 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	_____ City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

SECTION I - GENERAL INSTRUCTIONS

All authorized personnel should familiarize themselves with this entire purchasing manual. Then one will already have had some experience with the reference and will know the locations of the information one needs to make a purchase. It will be especially helpful to become familiar with the general purchasing strategies so that one has a broad concept of the purchasing policy as more than just a means of obtaining equipment and services. Thereafter the manual can be used both as a quick reference and as a procedural check.

The format of this manual is such that terms are not repeatedly defined but are instead listed in a glossary (Section II). In order to use this manual efficiently, personnel should fully understand these definitions.

SECTION II - DEFINITION OF TERMS

This section provides definitions of terms used in the manual which may need clarification.

Awarding Authority. The Awarding Authority is determined by the amount of the purchase. He or she must approve of the need to purchase an item or service before initiating procurement action and has the authority to award bids. After a vendor receives a bid award, the authority must also give the final authorization to process the purchase.

Bid. A bid is a proposal submitted by an outside firm in response to a department or City request. A bid includes price quotations, terms and conditions, such as freight or other charges, and detailed descriptions of the item(s) or service(s) which the firm will provide should they receive the bid award.

Bidders' List. A bidders' list is a list of potential bidders for a particular service or product. It should include a breakdown of qualified and disqualified bidders (see Qualified Bidder). Such lists should be maintained by the Requesting Departments.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 4 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

The **Bid Waiver.** The bidding process may only be waived with the approval of the proper Awarding Authority and the completion of a Bid Waiver Form and even then only under particular conditions:

- a) The purchase must be executed immediately for the continued operation of a department, for the health, safety, and welfare of people, or for the protection of property.
- b) There is only a limited number of suppliers willing or capable of making a bid.
- c) Clear and accurate specifications or technical requirements for the material, product, or service are not available.
- d) It is necessary in order to maintain standardization, quality, or other considerations.
- e) There is insufficient time to carry out the bid procedure.

Consolidation Consolidation is the combining of requirements in order to take advantage of quantity pricing or "buyer's markets".

Credit Card. See Purchasing Card.

Data File. A data file is a list of pre-qualified consultants for various types of recurring professional services. Such lists should be kept by the Requesting Departments.

Evaluation. Evaluation is a part of the vendor selection process in which submitted bids are analyzed to determine the lowest or best received.

Fixed Asset. A fixed asset is a piece of equipment or furniture with a total cost (value), including taxes and shipping and installation, of at least \$1,000 and has an estimated life of at least three years. Every fixed asset must have a registration sticker attached and a completed information sheet on file with Finance.

Formal Bidding. Formal bidding is the vendor selection process used for purchases over \$25,000. Bid invitations must be publicly announced, and submitted bids must be sealed and then opened only at a specified, advertised time and place. Any deviation from such procedure must first be reviewed and approved by the City Council.

Informal Bidding. Informal bidding is the vendor selection process used for selected purchases under \$25,000. Bid invitations need not be publicly announced, but bid submissions must be in written form.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 5 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

Pricing. Pricing is the process of obtaining complete quotations from qualified vendors in the vendor selection process.

Purchasing Card. Is a restricted use credit card issued to selected employees to streamline the purchasing process. The purchasing card should be used when ever possible. Each individual card has specific restrictions on the type and dollar amount of permitted purchases.

Qualified Bidder. Bids will only be awarded to qualified bidders. Qualification is based on:

- The quality, suitability, and efficiency of the product or service offered and its conformity with the requested specifications;
- Delivery, local-vendor sales tax revenues, restocking fee for returned items, discounts, and any other conditions outlined in the bid;
- The reputation of the equipment, the service reputation of the bidder, and all information and data in support of the responsibility of the supplier.

A bidder may be disqualified and removed from the bidders' list for a period of up to two years for unsatisfactory service.

Individual departments can take any other measures as they see fit.

Qualified Consultant. A qualified consultant is a person or organization proven to have the knowledge, technical capability, facilities, and manpower needed to meet the provisions of the proposal and subsequent negotiations.

Requesting Department. The Requesting Department is the department for which the products or services are being purchased. Each department is responsible for its own purchase requests and is thus responsible for properly completing the request forms in compliance with the purchasing procedures.

Review Board. A Review Board, comprised of at least three people appointed by the Department Head and approved by the City Manager, handles the review, negotiation, and selection of specific consultant contracts.

Sourcing. Sourcing is the collection of appropriate vendors who may be contacted to provide quotations.

Value. Total cost to acquire goods or services. Including, taxes, shipping and installation. Credit received for trade-ins should not be considered when determining value.

Department	Page 6 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

SECTION III - GENERAL PURCHASING STRATEGIES FOR COST SAVINGS

1. COMPETITION

It is possible to achieve considerable savings by relying upon the competitive nature of businesses. Businesses attempt to increase profits by cutting prices below competitors. The City can take advantage of this fact by comparing prices among several vendors.

The most common method of price comparison is a bid (Section IV), either formal or informal. Through bids, the purchaser receives price quotations for supplies and services from two or more firms and can choose the best value. This process is not only prudent, but also required by the City for purchases of \$1,000 or more. For purchases over \$1,000 the City requires at least two bid quotations, and for purchases over \$5,000, at least three bids.

2. MINIMUM ESSENTIAL SPECIFICATIONS

It is important to determine the minimum product quality that will still perform a given function satisfactorily. One cannot justify spending taxpayers' money on products of "Cadillac" quality when "Chevrolet" quality will perform equally well. However, one must also consider the durability of the product. It may be justified to purchase a different product at a higher price if the expected lifetime is sufficiently longer. In order to best utilize public funds the purchaser must be prudent in determining the level of quality necessary.

3. STANDARD SPECIFICATIONS

A. GENERAL

Under certain circumstances, the use of standardized uniform specifications may be advantageous to the purchaser. Standardization is the use of an established, uniform quality or type of material. Its advantages include the creation of uniform, well-known specifications and the opportunity to consolidate requirements. The lack of standardization may cause an increase in the number of small purchases, an inability to take advantage of quantity pricing, and difficulty interpreting and evaluating product performance to guide future buying.

Department	Page 7 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	_____ City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

B. PROCEDURE

In developing standard specifications, one should:

- a) Try to use established, industry wide standards so that products can be acquired from more than one source. To use a product because it is only available from a single vendor gives that vendor a monopoly and leaves the purchaser subject to the pricing whims of that vendor. In addition, the use of an industry wide standard makes the product easy to identify and assures uniform quality of materials.
- b) Be flexible when developing standards if the industry is subject to change. To do otherwise will prevent the purchaser from taking advantage of newer technology and materials. For example, if a particular manufacturer promoted a 3 mm thickness garbage bag in the 70's, this is not sufficient reason to continue to insist on that same type of bag after the industry has moved on to other materials with different specifications. However, the City must not always remain at the cutting edge of technology.

4. PLANNING AHEAD

Planning ahead is always prudent. A purchaser cannot take advantage of any of the above cost-saving methods if the users do not place their orders early. Prudent managers will order necessary materials prior to the inflation of prices.

In general, it is always good to look ahead and estimate future purchases and needs. Inflation cannot be avoided, and the longer one waits, the more it will cost.

5. INFORMATION

Purchasers should keep informed of price trends in materials that they order frequently. Thus they will be aware of "buyer's markets", special price promotions, and other opportunities to save. Keeping up-to-date with the market or industry will also alert them to the development of new products or materials which may be more suitable, effective, or economical.

Furthermore, sharing this information with other City personnel who use the same products can further reduce costs for the City as a whole.

Department	Page 8 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

SECTION IV - VENDOR SELECTION PROCEDURE

1. INFORMAL BIDS

A. PURPOSE

To articulate policies, responsibilities, and procedures for the purchase of materials and supplies, fixed assets, and maintenance agreements with a value of less than \$25,000.

B. POLICY

1. For all purchases of supplies and materials, fixed assets, and non-professional services with a total job value (including both materials and labor costs) between \$1,000 and \$5,000 the City requires that at least two bids be obtained. For all purchases between \$5,000 and \$25,000 at least three bids are required. The lowest bid from a qualified bidder will receive the award. Bids may be solicited by written Request for Quotation (RFQ), which must include, either by telephone, by facsimile, or by public notice, a complete description of the items or services desired from the vendor. All bids for purchases over \$5,000 must additionally be clean copies without manual or hand-written changes and must be supported by confirmation written on the prospective supplier's letterhead and including an authorized signature.
2. The bidding process may only be omitted under certain circumstances (see Section V 2.6 - Bid Waiver) and only with the approval of the Awarding Authority (see Section II - Awarding Authority).
3. The Requesting Department shall compile and maintain a bidders' list and shall solicit bids from responsible prospective suppliers whose names appear on the list for the product or service category specified. Suppliers may be disqualified and removed from the bidders' list for a period of up to two years in cases of unsatisfactory performance or response.
4. Informal bidding shall, whenever possible, be based on at least three bids, solicited by written requests, telephone, facsimile, or public notice.

NOTE: When purchasing items that can be made from recycled materials, it is preferable to purchase from vendors who use recycled products. (Refer to the Recycling Policy and Procurement of Recycled Products, Procedure #CM-90-0001, for guidelines.) The Recycling Policy guidelines should be followed in the case of any conflicts with this manual.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 9 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

C. PROCEDURE

1. The Requesting Department will:

- 1.1 Establish the need to purchase certain goods and/or services. If the purchase is deemed necessary, the Awarding Authority can initiate the procurement process.
- 1.2 Establish and maintain (or update, if already established) a bidders' list to use for all purchases in a given category.
- 1.3 Solicit quotations from bidders for the specific items or services desired. All quotations must be confirmed in writing by the bidder.
- 1.4 Evaluate all bids received and submit a recommendation for the lowest qualified bid to the Awarding Authority for approval.
- 1.5 Complete and submit all appropriate paperwork to Finance. Note if the selected vendor has requested the original purchase order. Paperwork will include:
 - a) Purchase Requisition, Blanket Purchase Order Contract Approval Form, and Purchase Validation Form, if the purchase is a blanket purchase order.
 - b) Purchase Requisition and Purchase Validation Form, if the purchase is for a distinct, specific quantity of supplies or services.
 - c) Bid Waiver Form, if the bidding process has been waived.

2. Requesting Department and Finance will:

Follow proper Receiving Procedure (see Section VI - Receiving and Payment Procedure).

2. FORMAL BIDS

A. PURPOSE

To articulate in detail, the policies, responsibilities and procedures for the preparation, advertisement, evaluation, and award of formal bids for the purchase of supplies, materials, and equipment.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 10 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

B. POLICY

1. All purchases of and contracts for supplies materials and equipment with a total job value (including both materials and labor costs) greater than \$25,000 will be based on formal competitive bids and awarded to the lowest qualified bidder (see Section II - Qualified Bidder).
2. The Requesting Department shall compile and maintain a bidders' list and shall solicit bids from responsible prospective suppliers whose names appear on that list for the product or service category specified. Suppliers may be disqualified and removed from the bidders' list for a period of up to two years in cases of unsatisfactory performance or response.
3. Per State Contract Act 10140: "Public notice of a project shall be given by publication once a week for at least two consecutive weeks in a newspaper of general circulation published in the county in which the project is located." Notices shall include a general statement of the intent of the bid invitation and a description of the materials and/or services for purchase or contract. Notices shall also state where bid blanks and specifications may be obtained and the date, time, and location for opening bids.

C. PROCEDURE

1. The Requesting Department will:
 - 1.10 Develop a bidders' list to ensure that all qualified suppliers have equal opportunity to make a bid.
 - 1.2 Prepare an invitation for bids which acquaints the prospective bidders with all contractual requirements, nomenclature, specifications, quantity of products or extent of service, purchase description, delivery schedule, pertinent clauses, bonds, warranties, provisions, instructions, and any other details of the bid. The invitation shall include:
 - a) Date of issuance;
 - b) Name and address of issuing agency;
 - c) Date, hour, and place of bid opening;
 - d) Location and provision for delivery;
 - e) A clear description of the material, supplies, freight or set-up charges, equipment or service required, including quantity, units of measure, and sufficient blanks for unit prices, extensions, applicable tax, and total dollar amount of the bid;

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 11 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

- f) Period of bid acceptance;
- g) Cash discount schedule;
- h) Name, date of bid, address and phone number of bidder, signature of person authorized to sign, and signer's name and title;
- i) A general-provision section outlining additional information and requirements which are standard to the invitation;
- j) A special-provision section outlining additional information and requirements which are specific to the processing of that particular bid. Departments may also wish to require bidders to submit a performance bond to ensure proper response;
- k) A complete set of detailed specifications on the materials or services required;
- l) An "Instruction to Bidders" section which shall outline the standard procedures for bidding and award.

1.3 Mail copies of the bid request to all interested suppliers.

1.4 Notify all prospective bidders by written amendment of any alterations or changes in the bid provisions, specifications, or date of opening which occur after the original mailing.

1.10 Receive the bids, record the time and date received on the bid envelope, and file the sealed bid.

1.11 Open the bids on the date and at the time and place specified in the bid invitation. Read the pertinent information aloud at public bid meetings.

1.7 Evaluate the bids to determine the lowest qualified bidder.

1.8 Prepare a written, documented review and recommendation on the bid, and submit it to the Awarding Authority.

1.9 Award the contract to the successful bidder and notify unsuccessful bidders of the results.

1.10 After verification that budgeted funds are available, submit an authorized requisition, specifically describing the products or services requested and the date required, to Finance. If the purchase has specifications, submit them along with the requisition.

2. Finance will:

2.1 Review the requisition to verify that all required information has been completed and budget funds are available.

2.2 Send properly executed Purchase Order back to the requesting dept.

Department	Page 12 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	_____ City Manager	FIN 2001-0001

SECTION V - THE PURCHASING PROCESS

The purpose of this section is to describe the general tasks, procedures, and forms involved in making a purchase.

1. THE GENERAL PROCESS

The different tasks will require different amounts of time and attention depending upon the purchase. However, they are described here to give insight into the purpose of each task. Later in the manual, these tasks will be further broken down according to particular parameters.

1.1 TASK DEFINITIONS

A. REVIEW OF SPECIFICATIONS. Specifications are examined to ensure clarity, accuracy, and completion so that there is no ambiguity to the buyer, seller or user. Detailed information such as size, color, units, etc. should be specified.

At this time, the approximate dollar amount of the purchase, the appropriate vendor selection method, and the purchasing method should be determined. These procedures should then be followed to complete the purchase.

B. SOURCING. Sourcing (see Section II - Sourcing) is part of the vendor selection process and can be accomplished in different ways (i.e., formal and informal bid). It is helpful for departments to maintain bidders' lists for items that are purchased frequently.

C. PRICING. Pricing (see Section II - Pricing) is also part of the vendor selection process.

D. EVALUATION. Factors of evaluation (see Section II - Evaluation) can vary but generally include prices, applicable discounts, applicable taxes, freight charges, and performance criteria. Other factors such as reputation or service history may also be included.

E. AWARD. Award of the purchase bid is the final part of the vendor selection process. The purchase is awarded to the vendor who has offered the best bid as evaluated per specifications.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 13 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

1.2 GENERAL INFORMATION

A. ALL PURCHASES.

1. The Requesting Department will be responsible for following the necessary procurement procedures, proper authorizations, and budgetary provisions before making a purchase.
2. All purchases must have the proper authorization before the procurement process may be initiated.
3. All purchases should involve the solicitation of competitive quotes to as great an extent as possible. For any purchase over \$1,000 some type of bidding process is required. This requirement will only be waived given certain circumstances (see Section IV - Bid Waiver).
4. All purchases of computer software, hardware, copiers, facsimiles, Audio Visual (Televisions, Overhead Projectors, Projectors, Digital Cameras, Still Cameras, Video Cameras and Video recorders and players), supplies and repair services are to be coordinated and approved by Information Services Division (MIS) of the Administrative Services Department.
5. The acquisition of pagers, cellular telephone equipment and services is coordinated through the Finance Division of the Administrative Services Department. Please review the Pager and Cellular Telephone Policy for program guidelines.
6. Any purchase made in violation of purchasing policy and procedure must have the approval of the City Manager before payment is requested.

B. PURCHASES UNDER \$25.

1. Bid quotes are not required or encouraged.
2. Use Blanket Order procedures for repeated-use vendors if the fiscal year total purchases will be between \$1,000 and \$5,000.
3. City provided credit card should be used whenever possible.
4. Use Petty Cash procedure for one-time or infrequently-used vendors who do not accept credit cards.
5. Payment by Check Requisition is not encouraged.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 14 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	_____ City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

C. PURCHASES UNDER \$1,000.

1. Written or verbal bid quotes are recommended to insure the best price. However, a determination must be made if the time spent on this process will cost more than any potential savings.
2. Use Blanket Order procedures for repeated-use vendors if the fiscal year total purchases will be between \$1,000 and \$5,000.
3. City provided credit card should be used whenever possible.
4. All other payments by Check Requisition.

D. PURCHASES UNDER \$5,000.

1. Two written or verbal bid quotes for purchases between \$1,000 and \$5,000 are required. This requirement will only be waived given certain circumstances (see Section V 2.6 - Bid Waiver).
2. Follow Purchase Requisition procedure for purchases of distinct, specific quantities of supplies, services, and/or equipment.
3. Use Blanket Order procedures for repeated-use vendors if the fiscal year total purchases will be between \$1,000 and \$5,000.
4. City provided credit card should be used whenever possible. At this dollar level credit card restrictions will be in place. Verify individual card restrictions prior to placing order.
5. All other payments by Check Requisition.

E. PURCHASES FROM \$5,000 - \$25,000.

1. Department Head approval authority \$5,000 to \$15,000. Professional services and fixed asset purchases limit \$5,000. City Manager approval required from \$15,000 to \$25,000 including professional services, and fixed assets over \$5,000.
2. Use the informal bidding procedure (Section IV) to select the most qualified bidder. A Purchase Validation Form, which must include at least three bid quotations, is required. This bidding procedure can only be waived given certain circumstances (Section V 2.6 - Bid Waiver).
3. An annual service contract may be used for repeated purchases of supplies or non-professional services from a particular vendor. The vendor selection procedure is different for professional and non-professional services.
4. All payments by Check Requisition.

Department	Page 15 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	_____ City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

F. PURCHASES OVER \$25,000.

1. City Council approval required.
2. Use the formal bidding procedure (Section IV) to select the most qualified vendor. This bidding procedure can only be waived given certain circumstances (Section V 2.6 Bid Waiver).
3. An annual service contract may be used for repeated purchases of supplies or services from a particular vendor. The vendor selection procedure is different for professional and non-professional services.
4. All payments by Check Requisition.

G. ANNUAL SERVICE CONTRACT.

1. Use either the informal or formal bid process to select the most qualified bidder unless conditions exist to waive the bidding process. The type of bid will depend upon the amount of the service contract.
2. The selection process must be completed before June 30th preceding the fiscal year for which the contract is to be valid.

2. PURCHASING PROCEDURES, FORM PREPARATION & PROCESSING

2.1 PETTY CASH VOUCHER

A. PURPOSE

To articulate in detail the policies, responsibilities and procedures for the purchase of supplies and services through petty cash transactions.

B. POLICY

1. Purchase of supplies or services with a value of \$25 or less which has been pre-expended by City employees may be reimbursed through petty cash procedures.
2. Repeated purchases of under \$25 from a single vendor should be handled by an Open/Blanket Purchase Order.
3. Meeting and related travel expenses will not be reimbursed through the petty cash process.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 16 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

C. PROCEDURE

1. City personnel making petty cash purchases will contact the vendor in person to obtain the supplies or services desired.
2. Vendor will give the purchaser a cash register receipt or invoice as proof of purchase.
3. The Petty Cash Voucher must be completed and submitted to Finance or to the department with its own petty cash fund along with the appropriate proof of purchase. Only then can one receive reimbursement from the petty cash fund.
4. The purchaser will then be reimbursed for the amount of purchase, using the Petty Cash Voucher, which includes the following:
 - a) Total amount of purchase;
 - b) Petty cash tag number(issued by the petty cash custodian);
 - c) Date of reimbursement;
 - d) Name of vendor or payee;
 - e) Department expenditure code;
 - f) Signature of authorized personnel approving reimbursement;

The person receiving the cash and the petty cash custodian must sign at the time of reimbursement.
5. The original copy of the Petty Cash Voucher will be attached to the vendor invoice or cash register receipt and periodically submitted to Finance for proper allocation of departmental expenditures and reimbursement of petty cash funds.

D. FORM PARTS (SEE EXHIBIT #1) - To describe the parts, completion, and processing of the Petty Cash Voucher.

1. **Voucher No.** The voucher number, assigned by the Petty Cash Custodian at the time of disbursement, keeps track of and registers Petty Cash Vouchers.
2. **Cash Requested By.** Enter the name of the person who purchased the item and is requesting reimbursement by the City. This should be written neatly and legibly.
3. **Date.** Enter the date that reimbursement is requested.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 17 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

4. **Department.** Enter the department of the person who made the petty cash purchase.
5. **Organization No.** So that the proper account will be charged, enter the department code number. It is the prefix of the charge account code.
6. **Account No.** Enter the number of the account that will be charged for the petty cash reimbursement.
7. **Amount.** Enter the amount of the petty cash reimbursement.
8. **Description.** A clear and complete description of the item purchased must be written in the space provided.
9. **Cash Received By.** The employee receiving the cash at the time of reimbursement must sign here.
10. **Purchase Authorization.** The Department Head must sign here before any money can be reimbursed.
11. **Petty Cash Custodian.** The Petty Cash Custodian must sign here at the time of reimbursement, when the "Cash Received By" is signed.

E. PROCESSING PATH

1. The requestor will properly complete the Petty Cash Voucher and submit the form with the proper receipts or invoices to the Petty Cash Custodian.
2. The Petty Cash Custodian will review the submitted forms and, if they are completed properly, will assign a Voucher Number, reimburse the purchaser and obtain the proper signatures at that time.
3. The Petty Cash Custodian will keep and maintain the Petty Cash Vouchers.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 18 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	_____ City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

2.2 PURCHASE REQUISITION

Once a vendor has been selected to supply specific items or services, a Purchase Requisition must be completed and submitted to Finance so that a Purchase Order can be generated. The requisition must have a complete listing and description of the items/services and have the proper authorization.

A. PURPOSE

To articulate policies, responsibilities, and procedures for the preparation and processing of Purchase Requisitions.

B. POLICY

1. The Requesting Department will be responsible for ensuring that the necessary procurement procedures, proper authorizations, and budgetary provisions are followed before making a purchase.
2. Finance must have a requisition with the proper authorization before it can initiate the procurement procedure (see Section II - Awarding Authority).
3. The department should anticipate needs far enough in advance to allow for the proper securing of bids and delivery by the vendor.
4. No changes may be made to the original order without the approval of authorized Finance personnel.

C. PROCEDURE

1. Once an item has proper approval, the Requesting Department will:
 - 1.1 Follow the proper vendor selection procedure (See Section IV).
 - 1.2 Get a quotation reflecting "FOB (Free on Board) Menlo Park", which indicates that that freight charges are included in the quotation price.
 - 1.3 Give a price preference of 10% to recycled products and take into consideration the 1% sales tax revenue return for local vendors when evaluating bids.
 - 1.4 Determine whether or not there is a cash discount.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 19 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

- 1.5 Submit appropriate paperwork (Purchase Requisition and Purchase Validation Form, both with written quotations) to Finance.
2. The Finance Department will:
 - 2.1 Review paperwork and do batch processing once a week, issuing purchase orders each Tuesday for all requests received by previous Friday. On an emergency basis only Finance may issue a manual purchase order earlier than this schedule. If paperwork is not satisfactory, however, it will be returned to the department.
 - 2.2 Encumber the necessary funds to cover future payments for items purchased.
 - 2.3 The Finance Director (or an authorized representative) will approve and sign the Purchase Order.
 - 2.4 If the purchase is a fixed asset, a fixed asset decal and an information sheet will be included with those copies of the Purchase Order which are returned to the Requesting Department.
 - 2.5 Distribute copies of Purchase Orders:
 - a) Original Copy - to the Requesting Department. If "Mail Original P/O to Vendor" box is checked, original will be mailed by the Finance Department.
 - b) Receiving Copy - to the Requesting Department;
 - c) 3rd copy and copy of Purchase Requisition form - to the Requesting Department;
 - d) 4th copy - to Finance Department.
3. Finance Department and Requesting Department will follow Receiving Procedure.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 20 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	_____ City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

D. FORM PARTS (SEE EXHIBIT #2) - To describe the parts, proper completion and processing of the Purchase Requisition Form.

1. **P/O No. (Purchase Order Number).** After the form has been properly completed and approved, Finance will assign a purchase order number.
2. **Order Type.** (In the shaded area below the P/O No. space.) Provided are three boxes, used to indicate whether the order is original, confirming or modified.
3. **Date.** Enter the date that the Purchase Requisition is being made.
4. **Vendor No.** Enter the number that has been assigned to the particular vendor.
5. **Vendor Name.** Enter the name of the vendor from whom the purchase will be made.
- 6 & 7. **Address and Zip Code.** Enter the correct address to which the purchase order should be sent.
8. **Tax ID No.** If this is a service purchase, enter the vendor's Tax ID Number on this line.
9. **Checklist.** (The un-shaded area to the right of the vendor information.) There are several items on the checklist which are important to note for particular purchases:
 - a) **Vendor Address Change.** Check this box if the vendor has a new address.
 - b) **Add to Vendor List.** Check this box if the vendor is new and should be added to the master file.
 - c) **Mail Original P/O to Vendor.** Check this box if the original P/O needs to be sent to the vendor. If not, Finance will return the original P/O to the Requesting Department.
 - d) **Fixed Asset.** Check this box if the purchase is of a fixed asset.
 - e) **Blanket Order.** Check this box for repeated purchases, not to exceed \$2000 each, from a particular vendor.
10. **Item No.** If the purchase includes more than one item, number and list the items so that they can be easily identified.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 21 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	_____ City Manager	FIN 2001-0001

11. **Description.** The item must be clearly and completely described so that it can be easily identified by both the purchaser and the vendor.
12. **Quantity Ordered.** Enter the quantity which is being requested.
13. **Unit of Issue.** Describe the way in which the item is packaged and priced; for example, pencils may be sold in boxes of one dozen, paper may be sold by the pound, etc. Note, however, that one vendor may sell paper clips in boxes of 50 while another sells them in boxes of 5,000.
14. **Unit Price.** Enter the proper price per unit of issue.
15. CST/NT (California Sales Tax/Nontaxable). Enter CST or NT to indicate whether the item purchased is taxable in California or not. This column should be marked 'NT' for blanket orders. The system will default to CST if left blank.
16. Amount. Enter the total amount for the particular item. (The quantity ordered times the unit price.)
17. Organization. No. (Organization Number). Enter the Requesting Department's organization number or the account code prefix.
18. Account Code. Enter the proper account code to which the purchase will be charged.
19. Freight. Enter any freight charges which may apply.
20. Deliver To. Important: If a specific delivery address is not filled in, the purchase will be delivered to the administrative building rather than to the Requesting Department.
21. Department Name. Enter the name of the Requesting Department.
22. Purchase Authorization. Obtain the signature of the proper authority (see Section II - Awarding Authority).
23. Finance Approval. Finance must review and approve the Purchase Requisition before it is assigned a P/O number.

Department	Page 22 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	_____ City Manager	FIN 2001-0001

2.3 PURCHASE VALIDATION

After a vendor has been selected, a Purchase Validation Form must be completed and submitted to Finance to confirm satisfactory completion of the proper vendor selection procedure.

A. PURPOSE

To articulate procedures for the preparation, usage, and processing of the Purchase Validation Form and describe the various parts of the form.

B. POLICY

The Requesting Department will:

- 1) Encourage a competitive atmosphere and obtain at least three bids.
- 2) Invite bids from local vendors, if available. Take into consideration the 1% sales tax revenue the City receives from the State of California.
- 3) Include recycled products in the RFQ, if available. Recycled products receive a 10% price preference in evaluation.

C. FORM PARTS (SEE EXHIBIT #3)

1. Nomenclature. There are three check-boxes which allow for classification of the purchase as either supply, equipment, or service.
2. Date. Enter the date that the Purchase Validation Form is being completed.
3. Description. Enter a clear and complete description of the item being requested. This is especially important if the item is not a standard purchase and therefore requires a detailed description in order to be identified by both the purchaser and the vendor.
4. Pricing Source. There are three check boxes which indicate the method in which the price quotations were obtained: either in writing, by fax, or by telephone. For purchases over \$100 there must be least two quotations, and for purchases over \$1,000 there must be at least three.
5. Recycled Products. Check the appropriate boxes as they apply to the purchase.
6. Vendor Name. Enter the name of the vendor from whom the bid is being obtained.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 23 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

7. Freight. Freight is an important part of the cost of an item. By specifying "FOB Destination" (Free On Board Destination) the vendor will include the freight charges in the price quote.

8. Unit. The unit size is especially important for comparing prices among vendors. For example, vendors may specify boxes of an item, but one vendor may have 20 per box, while another may have 24.

9. Quantity. The quantity requested is used to determine the total amount of the purchase. Some vendors will give a quantity discount for large purchases.

10. Unit Price. The unit price is especially important for comparing vendors.

11. Tax. Sales tax, if applicable.

12. Total Amount. The total amount is the quantity multiplied by the unit price, plus freight and sales tax.

13. Awarded To. Enter the name of the vendor to whom the purchase has been awarded. Also enter the street address and city/state/zip.

14. Reason. Provided are check-boxes which give reasons for awarding the bid to a particular vendor. The reasons may vary: only one applicant, equal bids (awarded to the Menlo Park vendor because of sales tax return), specialty item, discounts, lower price, no freight, etc. This section is important to keep purchasing costs as low as possible.

15. Purchase Authorized By. Obtain the signature of the person who authorized the purchase. The proper authority will vary in accordance with the amount of the purchase.

16. Department Name. Enter the name of the department making the purchase.

17. Purchased By. Enter the name of the person within the department who is making the purchase.

Department	Page 24 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	_____ City Manager	FIN 2001-0001

D. PROCESSING PATH

1. For all purchases over \$1000 and all fixed assets, the Purchase Validation Form must be completed and submitted to Finance along with any other appropriate forms.
2. Finance will review and retain the Purchase Validation Form.

2.4 BLANKET PURCHASE AND BLANKET PURCHASE ORDER APPROVAL FORM

The department must complete a Blanket Purchase Order Approval Form and submit it to Finance along with the Blanket Purchase Request and/or a contract for service or material purchase. This form will be forwarded to the selected vendor, confirming his position as the successful vendor under the terms and conditions specified for the particular purchase.

A. PURPOSE

To articulate policies, responsibilities, and procedures for the preparation and processing of Blanket Purchase Orders.

B. POLICY

1. The Requesting Department will be responsible for ensuring that the necessary procurement procedures, proper authorizations, and budgetary provisions are complied with before making a purchase.
2. Finance must have a Purchase Requisition with the proper authorization before it can initiate the procurement process. (See Section II - Awarding Authority for proper authority.)
3. Blanket purchase orders may be used for repeated purchases from a particular vendor. The maximum amount for a Blanket Purchase Order is \$2,000 and shall be made by authorized personnel only.
4. All Blanket Purchase Orders shall specify a limited period of time, within the fiscal year, for which it is valid and shall establish a total amount to be encumbered for that period of time.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 25 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

D. PROCEDURE

1. The Requesting Department will:

- 1.1 Establish the need for a Blanket Purchase Order for a specific category of items or services.
- 1.2 Contact prospective suppliers to evaluate their capabilities, negotiate prices and review the blanket purchase order procedure. Selection should be made through a bidding process.
- 1.3 Select the supplier and prepare a requisition, which shall include a description of the basic products or services requested, a specific time period, and a total dollar amount to be encumbered.
- 1.4 Submit the appropriate paperwork to Finance. The following information should be included:
 - a) Supplier name and address;
 - b) A clear description and classification of products or services requested;
 - c) A specific time period for which the open purchase order shall remain valid;
 - d) A specific total dollar amount, which may not exceed \$2,000.
 - e) Reference to negotiated price agreements and/or quantity discounts;

The appropriate forms are: Request for Quotation, Purchase Requisition, Purchase Validation, and Blanket Purchase Order Approval Form.

2. The Finance Department will:

- 2.1 Review paperwork to verify satisfactory completion. If completed as required, assign a Blanket Purchase Order Number to the requisition.
- 2.2 Encumber funds in the appropriate account.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 26 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

- 2.3 Send the original Blanket Purchase Order, Blanket Purchase Approval Form and a cover memo to the vendor.
- 2.4 Forward departmental copy and receiving copy of the Blanket Purchase Order to the Requesting Department.
3. The Authorized Employee will:
 - 3.1 Provide the supplier with the Blanket Purchase Order Number against which the purchase is made.
 - 3.2 Endorse the supplier's sales receipt and enter the appropriate department code for which the material or service is being purchased.
 - 3.3 Obtain the signature of the Department Head or authorized representative on the supplier's sales receipt.
 - 3.4 Submit the supplier's sales receipt and/or the invoice covering the transaction to accounts payable.
4. The Supplier will:
 - 4.1 Provide the products or services requested.
 - 4.2 Verify the identification of the city employee.
 - 4.3 Submit a copy of the sales receipt and/or invoice covering the material, supplies or service order to accounts payable via the city employee making the transaction.
 - 4.4 Mail the invoice directly to accounts payable if it was not submitted to city employee at time of purchase.
5. The Requesting Department will:
 - 5.1 Match supplier invoices with appropriate sales receipts.
 - 5.2 Audit invoice for:
 - a) Proper unit price and price extensions;
 - b) Proper quantity discounts if applicable;
 - c) Proper tax;
 - d) Proper purchase order number and departmental account charge number.

Department	Page 27 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	_____ City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

5.3 Audit sales receipt for:

- a) Proper account charge number;
- b) Employee signatures.

5.4 Compare all invoices with monthly statement, if provided by supplier.

5.5 Call supplier to clarify any discrepancies found in the audit.

5.6 Update receiving copy to reflect the purchase amount and make sure that total purchase does not exceed the dollar limit.

5.7 Submit original invoice and check request, with the appropriate blanket order number clearly marked, to Finance for payment.

6. Finance will:

6.1 Batch and process invoices for weekly payment.

D. **FORM PARTS** (SEE EXHIBIT #4) - To describe the parts, completion and processing of the Blanket Purchase Order Approval Form.

1. **Department Name.** Enter the name of the Department that requested the Blanket Purchase Order.
2. **Date.** Enter the date that the form is being completed.
3. **Supplier.** Enter the name of the vendor with whom the order is established.
4. **BO No.** Enter the blanket purchase order number that is assigned to this account.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 28 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	_____ City Manager	FIN 2001-0001

5. **Street Address, City/State/Zip and Phone.** Enter the appropriate information.
6. **Purchase Description.** Check the appropriate box for the type of purchase: either supply, equipment, or service.
7. **Specifications.** Enter complete and clear specifications of the item(s)/service(s) to be purchased under the blanket purchase order.
8. **Blanket Purchase Conditions.** Enter the appropriate blanket purchase conditions: the period for which the blanket purchase order will be valid and the total amount of the combined purchases (the maximum allowable being \$2000).
9. **Authorized Personnel to Make Purchase.** Neatly print or type the names of the personnel who are authorized to make purchases under the open purchase order. Provide samples of their signatures.
10. **Negotiated Price Agreements.** Enter "yes" if price agreements have been included with the form, and "no" if not. In most cases, the price agreements should be included with the form as documentation of the agreed prices and terms and for confirmation from the vendor. If the price terms are not included, state the reasons why.
11. **Purchase Authorized By.** Obtain the signature of the proper authority for the blanket purchase order (Department Head).

D. PROCESSING PATH

1. Submit the completed Blanket Purchase Order Approval Form, with any other appropriate forms, to Finance.
2. Finance will review the form for proper completion.
3. After Finance has approved the form, they will send it to the vendor to confirm the establishment of a blanket purchase order under the specified conditions and to provide sample signatures of personnel authorized to make purchases.

Department	Page 29 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	_____ City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

2.3 BID WAIVER

If the Awarding Authority determines that a bidding process is not feasible for a particular purchase, then a Bid Waiver Form must be completed and submitted to Finance. The form ensures that the bidding process is followed whenever possible and is only waived under certain circumstances.

A. PURPOSE

To articulate policies, responsibilities and procedures for preparation and processing of a bid waiver and to describe the parts of the Bid Waiver Form.

B. POLICY

1. The Requesting Department will be responsible for obtaining competitive bids, formal or informal, before selecting the final vendor. If the department determines that a bidding process is not feasible, they should discuss the reason with the appropriate Awarding Authority and secure the Authority's signature on the Bid Waiver Form.

C. FORM PARTS (SEE EXHIBIT #5)

1. Department Name. Enter the name of the department that is requesting the bid waiver.
2. Date. Enter the date that the form is being completed.
3. Supplier. Enter the name of the vendor for whom the bid will be waived.
4. Street Address, City/State/Zip, and Phone. Enter the appropriate information.
5. Reasons for Waiver. Check the appropriate space to explain why the bid is being waived.
6. Explanation. Enter a complete and detailed explanation of the reasons for waiving the bidding process for this particular purchase.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 30 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

7. **Purchase Description.** Check the appropriate space for the type of purchase: either material, contract, or equipment.
8. **Description.** Enter a complete and detailed description of the purchase.
9. **Purchase Amount.** Enter the amount of the purchase.
10. **Department Head.** Obtain the signature of the department head.
11. **Authorization to Waive.** Obtain the signature of the appropriate Awarding Authority to waive the bidding process.

D. PROCESSING PATH

1. Submit the completed Bid Waiver form, along with any other required forms, to Finance.
2. Finance will review the form for proper completion and evaluate the reasons for waiving the bidding procedure.
3. Finance will keep the Bid Waiver form as a record that the Bid Waiver was properly executed and is justified under the particular circumstances. It will then process the purchase request.

2.4 CHECK REQUISITION

A Check Requisition must be completed and submitted to Finance for payment of purchases that cannot be accomplished through other purchasing methods

A. PURPOSE

To articulate policies, responsibilities, and procedures for the preparation and processing of Check Requisitions.

B. POLICY

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 31 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

1. Finance must have a requisition with the proper authorization in order to process payment.
2. Check Requisitions shall only be used when the purchase cannot efficiently be made through petty cash or purchase requisition.

C. PROCEDURE

1. The Requesting Department will:
 - 1.1 Follow the proper vendor selection procedure (formal or informal bidding).
 - 1.2 Submit a Check Requisition with an authorized signature along with appropriate invoice and/or other supporting documents, to Finance for payment. (Coding and approving on the invoice itself, with the purpose of using it as a payment request, is not acceptable. Pre-coded worksheets, such as dental reimbursements, water refunds, and routine splits between various accounts, will be accepted as payment requests as long as all necessary information is provided on the worksheet.)
2. The Finance Department will:
 - 2.1 Review PAPER WORK and process for payment.

D. FORM PARTS (SEE EXHIBIT #6). To describe the parts, proper completion and processing of the Check Requisition Form.

The Check Requisition must be properly and completely filled out before Finance can issue an approval. All appropriate spaces must be filled in. Otherwise Finance will return the form.

1. Vendor No. Enter the number which has been assigned to the particular vendor to keep track of the various vendors used throughout the City.
2. Payee Name. Enter the name of the vendor to whom payment will be made.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 32 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	_____ City Manager	FIN 2001-0001

3. **Address and Zip.** Enter the proper address and zip code of the vendor.
4. **Tax ID No.** Enter the vendor's tax ID number. This is especially important for vendors who are not incorporated or who provide a service rather than a product. The Requesting Department should obtain the tax ID number when they first purchase something from that vendor.
Thereafter, the number should remain on file, and changes must be updated as soon as possible.
5. **Vendor Information.** Check the appropriate boxes if the vendor is new and needs to be added to the vendor masterfile or if the address needs to be changed.
6. **Department Name (Department Name).** Enter the name of the Requesting Department.
7. **Date.** Enter the date that the Check Requisition is completed.
8. **Date Check is Needed.** Enter the date by which the check is needed, as indicated on the invoice. Unless specified otherwise the normal term for payment is within 30 days of the invoice date.
9. **Blanket/Purchase Order No.** Enter the assigned blanket or purchase order number. Differentiate between the two types either by circling the appropriate word on the form or by entering the appropriate identifying prefix (i.e. BO ##### or PO #####).
10. **Contract on File.** Check this box if there is a valid contract on file with the vendor for that particular purchase.
11. **Manual Check.** Check this box if Finance has **pre-approved** a manual check because of an emergency.
12. **Check No.** Finance will enter the assigned check number when the check is cut.
13. **Check Pick-Up.** Check this box if the check should be sent to the Requesting Department. Otherwise, the check will be sent directly to the vendor by the due date.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 33 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

14. **Vendor Invoice No.** Enter the appropriate vendor invoice numbers if there is an invoice for the purchase. If not, use the date of the event or any other reference which might be helpful for retrieving information in the future.
15. **Invoice Date (mmddyy).** Enter the invoice date if available; if not, use the date of the request.
16. **Organization No.** Enter the Requesting Department's organization number or prefix code.
17. **Account Code.** Enter the proper account code to which the expenditure will be charged.
18. **Amount.** Enter the amount of the invoice or request.
19. **Description.** Enter a clear and complete description of the item/service that is to be purchased.
20. **Fixed Asset.** Enter either "yes" or "no" (see Section II - Fixed Asset).
21. **Location of Fixed Asset.** If the purchase is a fixed asset, then describe where the fixed asset will be located.
22. **Total Request.** Enter the total amount of request. The check will be made out for this amount.
23. **Prepared By.** The person who prepared the check requisition form should sign here.
24. **Payment Authorization.** Obtain the signature of the appropriate payment Approving Authority.
25. **Finance Department Approval.** Finance will approve if the check requisition meets all requirements.

Department	Page 34 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	_____ City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

E. PROCESSING PATH

1. After proper completion, submit the Check Requisition and any other appropriate forms to Finance.
2. Finance will review the requisition for proper completion.
3. After approving the requisition, Finance will process for payment and issue checks. The second (yellow) copy of the Check Requisition, including the check number, will be returned to the Requesting Department with attachments as requested. Finance will keep the original copy of the Check Requisition, invoice and/or other support documents for payment.
4. Unless the department requested that the check be returned to them, Finance will release the check to the vendor, as per the terms of the invoice, with the appropriate payment stubs provided by the department.

2.5 ANNUAL CONTRACT

An annual contract for supplying materials and service (e.g. auto parts, service maintenance, and office supplies) may be awarded by the appropriate Awarding Authority to the successful bidder.

A. PURPOSE

To articulate policies, responsibilities, and procedures for the preparation and award of Annual Service Contracts.

B. POLICY

1. Annual Contracts will be awarded through a bidding process so that no qualified applicant is denied the opportunity to compete.
2. Every year, departments will obtain at least three competitive bids for the next fiscal year's service contract, which will be and be valid for that fiscal year only unless circumstances provide a legitimate reason for extension or cancellation.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 35 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	<hr/> City Manager	FIN 2001-0001

3. No payment will be made until Finance receives the required copy of the contract, new or renewed.

C. PROCEDURE

1. The Requesting Department will:
 - 1.1 Establish the need for an Annual Service Contract and obtain proper authorization. (See Section II - Awarding Authority)
 - 1.2 Follow proper vendor selection procedure (Section IV).
 - 1.3 Submit appropriate paperwork to Finance.
2. Finance Department will:
 - 2.1 Review, check paperwork, and update contract file.
3. The Requesting Department and Finance will follow receiving procedure.

Department	Page 36 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	_____ City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

SECTION VI - RECEIVING AND PAYMENT PROCEDURE

1. RECEIVING MERCHANDISE AND PAYMENT OF INVOICE

A. PURPOSE

To articulate policies, responsibilities and procedures for the receipt of merchandise and payment of invoice.

B. POLICY

1. The Requesting Department is responsible for making sure that the order is complete, that the merchandise is received in good condition and that the terms on the invoice match the initial quotation and agreement.
2. Finance will make sure that the appropriate paperwork is submitted before initiating payment. If the original order is changed Finance will not make payment without an appropriate explanation from the Department Head and the approval of the City Manager

C. PROCEDURE

1. Departments verify the purchase with the order and check for damage in shipment and partial delivery.
2. If the purchase is a fixed asset, the fixed asset decal that was sent to the requesting department at the time of purchase request must be affixed to the item. The information sheet which accompanied the decal must be completed and returned to Finance at the time of payment request.
3. For payment, do appropriate coding and price extension on the invoice and send it to Finance with the original invoice, the remittance copy, if any, and the receiving copy of the purchase order.
4. If payment is requested for a partial shipment and the requesting department needs to keep the purchase order open for future completion, follow the same procedure as in section 3. The receiving copy of the purchase order will only be sent upon completion of the order. The column on the check request for the Purchase Order number column should list the PO number and "partial", e.g., PO20001-partial.

Department	Page 37 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject PURCHASING POLICIES AND PROCEDURES	_____ City Manager	FIN 2001-0001

5. Payment requests received by Finance before Wednesday 5:00 p.m. will be processed by Friday, and checks will be disbursed to the vendors directly as per the terms of the invoice. Or, if requested, the checks can be released to the department on Monday. This schedule may change as holidays or the end of month approach.

2. AUTOMATIC MONTHLY PAYMENTS

A. PURPOSE

To articulate responsibilities and set procedures for the payment of automatic monthly payments.

B. POLICY

Upon the request of a department, Finance may approve automatic monthly payments for recurring invoices. Approval will be made on a case-by-case basis according to the following criteria:

- a) The Check Requisition has an attachment (e.g., lease payment schedule) which specifies the actual or estimated dates on which payments are to be made, with a minimum of 12 months (every fiscal year).
- b) The automatic monthly payment must be the same each month. Any variation in the invoice amount will halt automatic payments and require the departmental approval before payment will resume.

C. PROCEDURE

1. The Requesting Department will:
 - 1.1 Determine annual contracts for which this procedure may be applicable.
 - 1.2 Prepare Check Requisition as specified above, and inform Finance of the desire to make automatic payments.
2. The Finance Department will:
 - 2.1 Approve or deny request for automatic payments.
 - 2.2 Initiate automatic payments and maintain documentation by circling each month for which payment has been made.
3. Requesting Department will:

Notify Finance immediately if the performance of any contractor is not satisfactory. This will suspend automatic payment until the department informs Finance that satisfactory performance has resumed.
4. Finance will:

Monitor all automatic payment requests prior to processing.

City of Menlo Park

ADMINISTRATIVE POLICY

Department	Page 38 of 38	Effective Date
Administrative Services Department	Approved by:	Procedure #
Subject	<hr/> City Manager	FIN 2001-0001
PURCHASING POLICIES AND PROCEDURES		

APPENDIX

1. Sample RFQ
2. Exhibits
3. Quick Reference

CITY COUNCIL POLICY

AWARD AUTHORITY AND BID REQUIREMENTS

Policy No. CC-17-XXX

Adopted XXX

Resolution No. 17-XXX

**Purpose**

To ensure adequate internal controls, avoid conflicts of interests, and achieve maximum efficiency in the administration of City resources, this policy establishes the award authority for the procurement of goods, general services, professional services, and public projects, and the settlement of claims. This policy replaces City Council Policy CC-91-004: "Award Authority for Purchases and Professional Service" and establishes limits referenced in Administrative Policy FIN-2001-001: "Purchasing Policies and Procedures".

Definitions

Award Authority. The Award Authority is determined by type and amount of the transaction. The approving authority as outlined in this policy is responsible for ensuring compliance with the City's Procurement System as established by Chapter 2.42 of the Menlo Park Municipal Code and any applicable City Council or Administrative policy.

City Manager's Signature Authority Limit (CMSAL). Maximum authorization for City Manager approval of purchases, tort claims, and contracts. Adjusted every July 1st based on the year-over-year change in the Engineering News Record's Construction Cost Index as measured in the month of January. All adjustments are rounded to the nearest increment of \$1,000. The base year CMSAL is set at \$75,000 effective July 1, 2017.

Force Account. Force account is the budget code used for work performed on public projects using internal resources, including but not limited to labor, equipment, materials, supplies, and subcontracts of the City.

Formal Bid. All purchases greater than the stated limits shall be based on competitive sealed written bids. Notices inviting bids to fewer than ten days prior to the date set for receiving bids. As practicable, bids shall be solicited from a minimum of three bidders. The notices inviting bids shall generally describe the goods and/or services to be purchased or acquired or the public project to be constructed, identify the place where the bid proposal form, specifications and other contract documents may be obtained, and specify the date, time and place when and where bids will be opened. All bids shall be sealed and submitted at the place and at or before the date and time specified in the notice inviting bids. Bids received after the specified date and time shall not be accepted and shall be returned to the bidder unopened unless the opening is necessary for identification purposes. Bids timely received shall be opened in public, at the date, time and place specified in the notice inviting bids, and the aggregate bid of each bidder shall be announced. This guidance supplements Menlo Park Municipal Code Section 2.42.090.

General Service. General services provide for work, labor or services not requiring specialized experience, knowledge or training with or without the furnishing of goods, materials, supplies or equipment, including maintenance of public buildings, streets, parks and playgrounds and other public improvements; repair, modification and maintenance of equipment or other goods; licensing, installation and maintenance of or relating to information technology property, goods and services, including, without limitation, computer hardware and software, and including the provision of data storage services, unless the information technology services that would require specialized certification, expertise, knowledge, or training are needed and provided; janitorial services, uniform cleaning, tree trimming, street sweeping, power washing and landscape maintenance; leasing or licensing of goods and other personal property for use by the city; and general class instruction, including recreation class instruction services.

Goods. Goods include supplies, materials, or equipment including office supplies, janitorial supplies, furnishings, equipment, machinery, tools, vehicles, computer hardware and software, and other personal property, materials or goods. Goods may be purchased using a blanket purchase order, where a specified quantity of units to be purchased is not established at the time the purchase order or contract is executed. A blanket purchase order or contract must establish a maximum dollar amount of expenditure for the contract and set forth pricing terms for the items to be purchased. Goods purchases may include labor incidental to the purchase of goods, including any set-up, installation, and testing services.

Informal Bid. Informal bids, proposals, or quotations may be solicited by any reasonable means including mail, telephone, facsimile transmission, e-mail or posting to the City's web site. Quotations shall be solicited from a minimum

AWARD AUTHORITY AND BID REQUIREMENTS

City Council Policy No. CC-17-XXX
Adopted XXX

2

of three bidders or proposers; if quotations from three bidders or proposers cannot be obtained by the exercise of due diligence, quotations shall be solicited from less than three bidders or proposers, as practicable. This guidance supplements Menlo Park Municipal Code Section 2.42.080.

Professional Services. Professional services include services which involve the exercise of professional discretion and independent judgment based on specialized certification, knowledge, expertise or training. These services may include those provided by accountants, actuaries, auditors, appraisers, architects, attorneys, engineers, financial advisors, information technology experts, instructors, and environmental and land use planners.

Public Projects. A public project includes a contract paid for in whole or in part out of public funds for the construction, alteration, repair, improvement, reconstruction or demolition of any public building, facility, street, sidewalk, utility, park or open space improvement, or other public improvement.. A Public Project does not include "Maintenance Work". For more information on public projects see MPMC Section 2.42.020.

Purchase Order. A purchase order is a contract for the procurement of goods, general services, professional services, and public projects. Purchase orders are not valid unless duly executed by an approving authority as authorized by City Council resolution.

Uniform Public Construction Cost Accounting Act (UPCCAA). Award of contracts for public projects shall be in accordance with the Uniform Public Construction Cost Accounting Act, State of California Public Contract Code Sections 22000 et seq., or any successor provision thereto.

Award Authority and Bid Requirements

Category	Amount	Approving Authority	Bid requirement
Goods, General Services, and Professional Services	Less than \$25,000	Department Head	Quotations
	\$25,000 to CMSAL/year (up to 3 years)	City Manager	Informal bid
	CMSAL to UPCCA informal bid limit	City Council	Informal bid
	Greater than UPCCAA informal bit limit		Formal Bid
Public Projects	Less than UPCCAA force account limit	Department Head	Informal bid/force account
	UPCCA force account limit to CMSAL	City Manager	
	CMSAL to UPCCA informal bid limit	City Council	Informal bid
	Greater than UPCCAA informal bit limit	City Council	Formal bid

AWARD AUTHORITY AND BID REQUIREMENTS

City Council Policy No. CC-17-XXX
Adopted XXX

3

Category	Amount	Approving Authority	Bid requirement
Claims Settlement	Less than the CMSAL	City Manager	N/A
	Greater than the CMSAL	City Council	
CMSAL – City Manager’s Signature Authority Limit UPCCAA – Uniform Public Construction Cost Accounting Act Public Projects governed by Menlo Park Municipal Code Section 2.42.170			
Applicable Resolutions			
Resolution	Date	Notes	
No. 4354	March 17, 1992	Established Policy #CC-92-004	
No. 5832	October 21, 2008	Amended CC-92-004 to add contract approval; established annual inflation adjustments to CM’s authority	
No. 17-XXX	XXX	Replaced policy #CC-92-004 with #CC-17-001	
Policy Maintenance			
As part of their annual review of policies establishing internal controls, the Administrative Services Department shall prepare a memo every July informing the organization of the City Manager’s Signature Authority Limit (CMSAL) and applicable limits in the Uniform Public Construction Cost Accounting Act (UPCCAA).			

2016-17 AWARD AUTHORITY & BID REQUIREMENTS

Policy No. CC-17-XXX

Adopted XXX

Resolution No. 17-XXX



Purpose

Pursuant to City Council adopted policy CC-17-XXX, this memo establishes the Award Authority and bid requirements for the 2016-17 fiscal year.

2016-17 Award Authority and Bid Requirements

Category	Amount	Approving Authority	Bid requirement
Goods, General Services, and Professional Services	Less than \$25,000	Department Head	Written quotations
	\$25,000 to \$66,887/year (up to 3 years)	City Manager	Informal bid
	\$66,887 to \$175,000	City Council	Informal bid
	Greater than \$175,000		Formal bid
Public Projects	Less than \$45,000	Department Head	Informal bid/force account
	\$45,000 to \$66,887	City Manager	
	\$66,887 to \$175,000	City Council	Informal bid
	Greater than \$175,000		Formal bid
Claims Settlement	Less than \$66,887	City Manager	N/A
	Greater than \$66,887	City Council	

AGENDA ITEM L-4 Administrative Services



STAFF REPORT

City Council

Meeting Date:

8/29/2017

Staff Report Number:

17-199-CC

Informational Item:

**Preliminary year-end close financial review of
General Fund operations as of June 30, 2017**

Recommendation

This is an informational item and does not require City Council action.

Policy Issues

The preliminary year-end budget-to-actual report is presented to facilitate better understanding of General Fund operations and the overall state of the City's current fiscal affairs by the public and the City Council.

Background

In order to provide timely information to the City Council and the public, the Administrative Services Department prepares a quarterly report on General Fund operations. The report provides a review of General Fund revenues and expenditures for the most recently completed quarter of the current fiscal year. These results are presented alongside results from the same period last year, with material differences being explained in the appropriate section of the staff report.

While revenues and expenditures presented in this report are through June 30, which is the end of the fiscal year, adjustments may be made as a result of the City's ongoing audit. A more complete picture of the General Fund's final results from fiscal year 2016-17 will be presented in December, when the year-end report is provided to the City Council.

Analysis

The report, which is included as Table 1 on the following page, was developed to apprise the City Council of the year-to-date status of the General Fund. It provides year-to-date fourth quarter comparable data for fiscal years 2015-16 and 2016-17. Information included in this report is intended to highlight some of the critical elements of Table 1 and supplement that information with explanations of significant differences between fiscal years 2015-16 and 2016-17. Budget adjustments that were approved by City Council throughout the fiscal year have been incorporated into this report.

Overall, the report highlights that year-to-date actuals for fiscal year 2016-17 show a net revenue position of \$1,875,716. Revenues in the General Fund for fiscal year 2016-17 came in at 4.91 percent higher than anticipated. Year-to-date expenditures came under budget at 90.85 percent of expected spending.

Table 1:YTD General Fund Budget to Actuals						
	Amended Budget	Actual 6/30/2016	% of Budget	Amended Budget	Actual 6/30/2017	% of Budget
Revenues	2015-16			2016-17		
Property tax	17,241,813	18,227,209	106%	17,393,400	20,547,444	118%
Charges for services	8,076,135	8,350,725	103%	7,992,815	8,699,744	109%
Sales tax	5,202,594	5,425,089	104%	5,502,000	5,642,693	103%
Licenses and permits	5,882,363	5,847,247	99%	6,141,860	5,869,264	96%
Transient occupancy tax	5,947,835	6,268,171	105%	6,430,000	6,663,989	104%
Franchise fees	1,940,013	1,871,742	96%	1,978,000	2,001,106	101%
Fines	1,067,643	1,349,853	126%	1,067,643	1,110,791	104%
Utility users' tax	1,183,347	1,220,297	103%	1,215,000	1,252,604	103%
Intergovernmental revenue	928,467	1,211,449	130%	990,052	905,852	91%
Interest and rental income	1,128,598	1,145,954	102%	1,101,199	890,483	81%
Transfers and other	478,849	482,252	101%	484,919	546,195	113%
Use of assigned fund balance	1,261,644	-	0%	1,300,000	-	0%
Total revenues	50,339,301	51,399,989	102%	51,596,888	54,130,164	105%
Expenditures	2015-16			2016-17		
Police	16,537,885	15,874,455	96%	17,260,091	16,753,514	97%
Public Works	7,543,562	7,475,720	99%	9,414,404	8,688,209	92%
Community Services	7,692,668	7,628,875	99%	8,068,958	7,987,783	99%
Community Development	5,140,492	3,547,091	69%	5,907,531	4,551,471	77%
Administrative Services	3,048,863	2,407,383	79%	3,042,604	2,871,998	94%
Library	2,576,568	2,242,090	87%	2,636,163	2,515,755	95%
City Manager's Office	2,478,416	2,449,098	99%	2,625,644	2,183,955	83%
City Council	424,666	402,346	95%	487,565	450,436	92%
City Attorney	385,651	431,385	112%	388,499	543,193	140%
Total operating expenditures	45,828,771	42,458,443	93%	49,831,459	46,546,315	93%
Non-departmental	9,186,877	8,561,877	93%	4,595,077	5,708,133	124%
Net revenues	(4,676,347)	379,669		(2,829,648)	1,875,716	

Revenue

Table 2 below shows a summary of fourth quarter budget-to-actual revenues for fiscal years 2015-16 and 2016-17.

	Table 2: Revenues 2015-16			2016-17		
	Amended Budget	Actual 6/30/2016	% of Budget	Amended Budget	Actual 6/30/2017	% of Budget
Property tax	17,241,813	18,227,209	106%	17,393,400	20,547,444	118%
Charges for services	8,076,135	8,350,725	103%	7,992,815	8,699,744	109%
Sales tax	5,202,594	5,425,089	104%	5,502,000	5,642,693	103%
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Transient occupancy tax	5,947,835	6,268,171	105%	6,430,000	6,663,989	104%
Franchise fees	1,940,013	1,871,742	96%	1,978,000	2,001,106	101%
Fines	1,067,643	1,349,853	126%	1,067,643	1,110,791	104%
Utility users' tax	1,183,347	1,220,297	103%	1,215,000	1,252,604	103%
Intergovernmental revenue	928,467	1,211,449	130%	990,052	905,852	91%
Interest and rental income	1,128,598	1,145,954	102%	1,101,199	890,483	81%
Transfers and other	478,849	482,252	101%	484,919	546,195	113%
Use of assigned fund balance	1,261,644	-	0%	1,300,000	-	0%
Total revenues	50,339,301	51,399,989	102%	51,596,888	54,130,164	105%

Through the fourth quarter of fiscal year 2016-17, year-to-date General Fund revenues are slightly above \$54.1 million, which is a 5 percent increase over the same period in fiscal year 2015-16. This increase is driven by several major revenue sources, including property tax, charges for services, transient occupancy tax and sales tax.

Property tax revenues, which represent the largest source of General Fund revenue, are up 13 percent, or \$2.3 million over the last year. When comparing budget to actual for the current fiscal year, property tax revenues are 18 percent, or \$3.15 million, higher than expected. This category consists of all property tax revenues, including the secured tax, unsecured tax, property transfer tax and supplemental tax. Charges for services are up 4 percent, or \$349,019, over the fourth quarter of fiscal year 2015-16. When compared to the budget, charges for services are nearly 9 percent above anticipated revenue. Revenue increases in this category are primarily driven by the City's recreation programs.

Sales tax revenues are up 4 percent when compared to the same period in fiscal year 2015-16 and came over budget by 2.56 percent for the current fiscal year.

Transient occupancy tax (TOT) revenues are up 6 percent over the same period from last fiscal year. Overall, most hotels in Menlo Park are reporting increases in TOT revenues compared to the prior fiscal year. Revenues in this category are trending slightly higher than expected and have exceeded the amended budget by 3.64 percent.

Interest and rental income is shown at 81 percent of expected revenues for fiscal year 2016-17 and is down 22 percent from the previous year. However, this number is subject to change as staff work on finalizing the accruals process of the fiscal year-end. Additionally, fines and intergovernmental revenues are both down

from fiscal year 2015-16, but these decreases were anticipated and captured during the budget process.

Expenditures

Consistent with the City Council's amended budget, General Fund operating expenditures are up \$1.23 million or 2 percent, over the previous year. Overall, expenditures in the General Fund have tracked as expected with 96 percent of the budget spent.

The majority of the City's departments spending for the 2016-17 fiscal year were under their allocated budgets with the City Attorney and non-departmental being the two exceptions. Expenditures in the City Attorney's department were 40 percent, or \$154,695, higher than budgeted but that figure includes \$128,824 of reimbursable legal fees. Non-departmental expenditures consist of transfers out to other funds consistent with City Council's direction.

Departments	Table 3:Expenditures 2015-16			2016-17		
	Amended Budget	Actual 6/30/2016	% of Budget	Amended Budget	Actual 6/30/2017	% of Budget
Police	16,537,885	15,874,455	96%	17,260,091	16,753,514	97%
Public Works	7,543,562	7,475,720	99%	9,414,404	8,688,209	92%
Community Services	7,692,668	7,628,875	99%	8,068,958	7,987,783	99%
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City Council	424,666	402,346	95%	487,565	450,436	92%
City Attorney	385,651	431,385	112%	388,499	543,193	140%
Non-departmental	9,186,877	8,561,877	93%	4,595,077	5,708,133	124%
Total operating expenditures	55,015,648	51,020,320	93%	54,426,536	52,254,449	96%

Impact on City Resources

There is no impact on city resources.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Report prepared by:
Brandon Cortez, Management Analyst

Report reviewed by:
Nick Pegueros, Administrative Services Director