



## SPECIAL MEETING AGENDA - AMENDED

**Date:** 11/28/2017  
**Time:** 2:00 p.m.  
**City Hall/Administration Building**  
**Conference Room 11 – 2<sup>nd</sup> Floor**  
**701 Laurel St., Menlo Park, CA 94025**

**The agenda has been amended to add Item D3.**

**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. Approve the minutes of the September 18, 2017, Finance and Audit Committee Special Meeting ([Attachment](#))
- D2. Presentation from Badawi & Associates Certified Public Accountants on their annual independent audit of the City of Menlo Park for the fiscal year ended June 30, 2017.
- D3. Review and discuss the Committee Charter ([Staff Report #17-005-FA](#))
- D4. Review and comment on the draft award authority and bid requirements ([Staff Report #17-006-FA](#))

**E. Adjournment**

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

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

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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.

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# Finance & Audit Committee



## SPECIAL MEETING MINUTES - DRAFT

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

**A.** Mayor Pro Tem Ohtaki called the meeting to order at 3:08 p.m.

**B. Roll Call**

**Present:** Ohtaki, Tronson, Shepherd  
**Absent:** Craib, Cline  
**Staff:** Nick Pegueros, Administrative Services Director  
Dan Jacobson, Interim Finance and Budget Manager  
Brandon Cortez, Management Analyst I

**C. Public Comment**

There was no public comment.

**D. Regular Business**

D1. Approval of draft meeting minutes for the Committee's August 8, 2017, meeting.

**ACTION:** Motion and second (Shepherd/Tronson) to approve minutes for the Finance & Audit Committee meeting of August 8, 2017. Motion passes; 3-0-2 (Craib, Cline absent).

D2. Review and recommend for City Council approval the 2017-18 Investment Policy.

Committee members discussed the City's investment policy, which requires annual review and approval from the City Council. Committee members posed several clarification questions for staff to review and respond to at the next meeting.

**ACTION:** Motion and second (Ohtaki/Shepherd) to recommend approval by City Council for the 2017-18 Investment Policy. Motion passes; 3-0-2 (Craib, Cline absent)

D3. Review and discuss the City Council adopted General Fund reserve policy.

Committee members discussed the rationale behind the current policy and explored various options of establishing a new percentage base or assigning a dollar value benchmark. A policy change idea to consider in the future would be to amend the guidelines to include a dollar amount benchmark rather than a percent based benchmark, and have the City Council review every 2-3 years as part of the budget process.

**ACTION:** Motion and second (Ohtaki/Tronson) to hold emergency contingency and economic stabilization funds at their current level and have City Council review every 2 years. Motion passes; 3-0-2 (Craib, Cline absent).

Chair Ohtaki adjourned the meeting at 4:16 p.m. due to loss of a quorum.

**STAFF REPORT****Finance and Audit Committee****Meeting Date:** 11/28/2017**Staff Report Number:** 17-005-FAC**Regular Business:** Review and discuss the Committee Charter**Recommendation**

Staff has no recommendation.

**Policy Issues**

The City Council establishes advisory committees and commission to provide for greater study and discussion of complex and technical issues such as complete streets, housing, and finance and audit. As part of their action establishing committees, the Council adopts guidelines for the formation of the committee such as membership and provides a purpose to the committee. At the request of a committee member, with the concurrence of the Chair, the Finance and Audit committee's purpose and composition has been placed on the Committee's agenda for discussion and potential recommendation to the City Council. It should be noted, however, that the only the City Council has the authority to amend previously approved committee guidelines.

**Background**

City Council approved the creation of a Finance and Audit Committee on October 9, 2007. The primary purpose for the creation of the committee was "to develop and implement strategies and practices that provide for a balanced and sustainable budget in which ongoing revenues are sufficient to cover ongoing expenses, a full accountability of and efficient use of City resources to meet the needs of the community, and clear and timely financial reporting to the community." Additionally, the committee would promote open government processes.

Other areas of focus for the Finance and Audit Committee: 1) to support the development of timely, clear and comprehensive reporting of the City's fiscal status to the community; 2) review the status of the financial audit and annual financing report, and review resolution of prior year audit findings; 3) review of auditor selection process and scope, as needed.

The Finance and Audit Committee structure was established to be advisory in nature, and to be composed of two Council Members and three community members. The two council members are appointed annually, and the three community members are appointed for two-year terms (staggered) through an application process.

**Analysis**

The Finance and Audit Committee was approved in October 9, 2007.

**Public Notice**

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 24 hours prior to the special meeting.

**Attachments**

- A. Approval of Revised Recommendations for the Establishment of a Finance/Audit Committee and Appointment of Two City Council Members to Serve on the Committee.
- B. Email from Committee Member Shepherd

Report prepared by:

Brandon Cortez, Management Analyst I

Report approved by:

Nick Pegueros, Administrative Services Director



## ADMINISTRATIVE SERVICES

Council Meeting: October 9, 2007  
Staff Report #: 07-169

Agenda Item #: F-1

**REGULAR BUSINESS:** Approval of Revised Recommendations for the Establishment of a Finance/Audit Committee and Appointment of Two City Council Members to Serve on the Committee.

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### RECOMMENDATION

Staff recommends that the City Council approve the recommendations contained in this report pertaining to the establishment of a finance/audit committee.

### BACKGROUND

The drive towards the establishment of a Finance Committee began with the identification and refinement of City Council goals early in 2007. One of the goals, initially labeled "Budget Decision Making", was to "develop and implement strategies and practices that provide for a balanced and sustainable budget in which ongoing revenues are sufficient to cover ongoing expenses, a full accountability of and efficient use of City resources to meet the needs of the community, and clear and timely financial reporting to the community." A memorandum by Council Member Cline and Vice Mayor Cohen suggested that an audit/finance committee would advance this goal, with the added benefit of promoting open government processes. It was generally agreed that, while internal processes should provide for the City's balanced and sustainable budget, the goal of accountability to the community could be furthered by the establishment of such a committee.

On March 27<sup>th</sup>, staff reported on best practices regarding finance committees in the governmental accounting environment, largely based on the Government Finance Officers Association (GFOA) guidelines for Audit Committees. In providing data and examples regarding the use of finance committees in other cities, a clear distinction was recognized between a municipal *finance* committee as opposed to an *audit* committee which, under GFOA guidelines, is typically comprised of government officials only. Finance committees provide for a much broader array of purpose, membership and scope amongst cities. While an audit committee has the benefits of providing an independent perspective on the annual verification of the City's fiscal transactions, it does little to promote fiscal transparency and community participation.

To emphasize the desire for better public comprehension of the City's financial picture, Council discussed the use of a community-based committee focused on the process of

financial reporting that would enhance public understanding and transparency in the City's fiscal communications. At the July 31st Council meeting, discussion centered on the focus, size, and characteristics of both an Audit Subcommittee and a larger Finance Committee, the latter to be comprised of the Council Members who are on the Audit Subcommittee in addition to some number of community members.

In that discussion it became apparent that an audit subcommittee would have difficulty maintaining a confidential relationship with the City's external auditors if meetings were opened to the public, which is required of standing committees for compliance with the Brown Act. Council assigned members Boyle and Cline as a interim subcommittee, to meet with the City Attorney and Finance Director to resolve this apparent conflict and to provide further direction on the scope, size, terms and appointment process for a community-based Finance Committee.

## ANALYSIS

The GFOA's recommended practice on Audit Committees indicates that an important benefit of such a committee is that it helps to preserve and enhance the objectivity and independence of the financial statement audit by furnishing a forum in which the independent auditors can discuss internal controls and other audit-related matters. Such communication lends credibility to the entity's financial systems and the resulting financial statements and reports. Initially, a suggestion that two Council Members serve as an Audit Subcommittee was embraced as a means to allow confidential communications with the City's audit firm. However, the City Attorney noted that any standing committee, even one comprised solely of a minority number of Council Members, is subject to the public meeting requirements of the Brown Act.

When the interim subcommittee met with the City Manager, City Attorney and the Finance Director to discuss this issue, staff further noted that audit committees in other communities generally provide an open forum for the auditors to present their work and answer questions. If a Council Member wishes to be further informed or discuss confidential matters with the auditors, they are free to schedule such a meeting at any time. Such meetings would not be prohibited as would be the case with a standing audit subcommittee of the Council. In fact, Council Members who are members of the finance/audit committee would presumably be able to make optimum use of this interaction with the external auditors in the context of their dual roles as ultimate custodians of the public assets (Council Members) and assessors of the City's financial reporting practices (committee members). As a result of this deliberation, it was agreed that a better recommendation for the establishment of a finance/audit committee would be to maintain the presence of two council members on the committee *without* designating a specific audit subcommittee.

Once it was decided that a single finance/audit committee was a more appropriate recommendation, staff worked with the interim subcommittee to determine the optimal recommendation for the focus, size, membership characteristics, terms and selection process for the new committee. The final recommendations are summarized in Attachment A.



### **Focus and Primary Responsibilities**

Council members Boyle and Cline provided suggestions on the focus and primary responsibilities of the finance/audit committee. Previously, the Council discussed a wide variety of matters that could be appropriately addressed by a finance committee. However, the review of periodic reporting processes and the concise, understandable presentation of community financial progress reports were again identified as the driving needs behind the formation of the committee, and are included as the principal recommended focus in Attachment A. The inclusion of two Council members on the committee allows the review of the annual external audit to also be appropriately placed as a focus of the finance/audit committee.

While it will be important for the committee to understand the City's financial, budgeting and forecasting process, it would not be the committee's role to make recommendations regarding these items. Rather, the focus of the committee would be to promote the public's understanding of the City's financial status by assisting City staff in defining the format and timing of financial updates to Council and to the broader community. The committee would ensure that such updates and reports:

- Convey financial information in an easily understood manner;
- Present information in an attractive and easy-to-follow format and be written in a concise and clear style;
- Highlight and explain items of particular importance or interest to the community;
- Identify trends useful in the interpretation of the financial data; and
- Presenting information in a balanced and objective manner.

The actual reporting out to the community will be through a defined process consistent with the City's internal operations and management of resources.

### **Size and Membership Characteristics**

A clear understanding of the focus of a newly established committee was helpful in determining the size and membership characteristics of the new committee. The on-going emphasis on community understanding of the City's financial matters suggests that the community members be chosen from committee applicants who are interested in serving in such a capacity, and have a basic understanding of financial matters. Although fiscal practices and policies in a municipal setting may vary from commercial or private fiscal processes, a willingness to interpret and convert information into useful and understandable formats was cited as the most important attribute for committee members.

Staff's previous review of California cities determined that finance committees typically consist of three to seven Members. In staff's discussions with the interim council subcommittee, the option of three or five community members was discussed in the

context of the committee's specific focus. Because the committee will constitute a interactive body providing input into the development of clear, concise solutions for reporting on complex subject matters, a smaller working group was indicated. A total of five committee members was determined to be optimal not only due to the practical nature of this committee's role, but for ease in the planning and administration of the committee's public meetings, discussed further in the "Impact on City Resources" section of this report.

### **Terms**

The terms for the two council members serving on the finance/audit committee was discussed at some length by the full Council on July 31<sup>st</sup>. Since Council Member appointments to various regional and other bodies are generally on an annual basis, this process was deemed appropriate for Council member appointment to the finance/audit committee as well. However, the desire for committee members to acquire some degree of familiarity with the City's financial processes and policies suggests that a longer term (more than one year) would be beneficial. Ultimately it was decided to recommend that the regular annual process be used for Council Member appointments to the committee, with the understanding that the Council may choose to reappoint the Council Members to the finance/audit committee in order to benefit from their experience.

A term of two years for community members is recommended on Attachment A. Continuity can be obtained by having staggered terms, such that there are always some members familiar with the City's financial processes serving on the committee. This would dictate that at least one of the community members appointed for the committee's first year of organization serve a three-year term. A recommendation for longer terms was also considered to provide continuity from experienced members. Again, experience would be a factor in the committee appointment process, so the two year terms were deemed to be an appropriate recommendation.

### **Appointment Process**

The interim subcommittee has suggested an appointment process similar to that applied to other City committees and commissions. Staff will develop an application specific to the finance/audit committee once the full Council has approved the committee's focus and structure.

### **Next Steps**

Staff recommends that the City Council appoint two Council Members to serve on the new finance/audit committee. Staff will develop a suggested application form for the community membership consistent with the focus of the committee as outlined in this report. A schedule for accepting applications and a Council selection process for the community membership of the committee should also be considered by the full Council.

## **IMPACT ON CITY RESOURCES**

It has been noted at previous meetings that the establishment and ongoing support of a finance/audit committee has the potential to require substantial staff time to provide

training on the City's budget process, prepare necessary background information, attend meetings, conduct research and analysis, and develop alternative monitoring and reporting programs. Additional staff resources were made available for analytical support within the Finance area in the 2007-08 Operating Budget, and a Financial Analyst has been recruited and is currently on board.

As a Brown Act body, the committee will also require administrative staff support from the City Clerk's Office in the application process, scheduling, distribution of agendas, and meeting notification process. Staff will also need to provide for recording summary minutes of the meetings. No additional resources were provided for the administrative support component of a new committee.

Although quarterly meetings are anticipated, there may be a need to meet more frequently in the first year of formation. Due to the administrative requirements involved, careful consideration should be given to the number of meetings planned. Once a finance/audit committee is fully established, it may be suggested that by-laws or other rules of procedure – not inconsistent with the provisions of the Brown Act or applicable City policies – be submitted to the City Council for approval. Such procedures might include a selection of officers, such as a Chairperson and Secretary. These officers may provide some of the administrative support required to conduct the meetings as a Brown Act body.

## **POLICY ISSUES**

The City Council has utilized various commissions and committees in an advisory role as deemed beneficial in carrying out its duties. Each advisory body has a primary role of advising the City Council on policy matters or reviewing specific issues and carrying out assignments within their areas of responsibility as directed by the Council. The formation of a finance/audit committee is consistent with existing policy.

## **ENVIRONMENTAL REVIEW**

Environmental review is not required.

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Carol Augustine, Finance Director  
Report Author

**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. Recommendation : Focus and Structure of Finance/Audit Committee

## **Attachment A**

### **Recommendation: Focus and Structure of Finance/Audit Committee October 9, 2007**

#### **Focus of the Committee**

- Support the development of a plan to deliver timely, clear and comprehensive reporting of the City's fiscal status to the community at large
- Assist in establishment of a process for periodic financial reporting to Council and the public
- Annually review status of financial audit and annual financial report with the City's external auditors; review resolution of prior year audit findings
- Review of auditor selection process and scope, as needed

#### **Committee Structure**

- Advisory to the City Council
- Two Council Members appointed annually
- Three community members appointed for two-year terms (staggered) through an application process

#### **Member Characteristics:**

- Members should have some financial knowledge (sufficient understanding of or interest in organizational finance, management, and financial statements)
- Members should have the ability to communicate financial results and concepts to the public in a manner which facilitates a general understanding of issues

#### **Meeting Structure**

- All meetings called, noticed, held and conducted in accordance with the provisions of the Brown Act
- Quarterly meetings, or as agreed upon by the Committee



## **APPLICATION TO SERVE ON THE CITY OF MENLO PARK'S FINANCE/AUDIT COMMITTEE**

### **Charge:**

The primary responsibility of the Finance/Audit Committee is to facilitate public confidence in and understanding of the City's financial reports.

### **Specific Duties:**

- Support the development of a plan to deliver timely, clear and comprehensive reporting of the City's fiscal status to the community at large
- Assist in establishment of a process for periodic financial reporting to Council and the public
- Annually review status of financial audit and annual financial report with the City's external auditors; review resolution of prior year audit findings
- Review of auditor selection process and scope, as needed
- Annual review of the City's investment portfolio

### **Time Commitment:**

It is expected that the Committee will be in place by the end of the calendar year 2007. The Committee will likely meet three to four times a year. Initially, the Committee will likely meet more frequently, as the logistics of the committee are finalized and the members become familiar with the City's financial processes through a series of primers provided by Finance staff.

### **Desired Characteristics of Committee Members:**

- Commitment to participate fully and constructively
- Ability to interpret financial data and identify key information of interest to the public
- Ability to assist in the articulation of complex ideas in a simplified, non-technical manner
- Experience with use of charts, graphics or other report-enhancing tools
- Aptitude for presenting information in a balanced and objective manner
- Relevant experience and expertise; e.g. finance (including especially audit and/or government accounting experience), education, and communications

### **Composition and Selection:**

The Committee will consist of five members: two City Council Members and three community members who will be selected by the Council at large from the applications submitted on or before 5:30 pm on November 27, 2007. To provide for staggered two-year terms, the Council will first appoint one member to a three-year term, and two members to two-year terms. In the future, all members will be appointed for two year terms.

**Note:** All meetings of the City's Finance/Audit committee will be open to the public. They will be called, noticed and conducted in accordance with the provisions of the Brown Act.

**From:** Ronald Shepherd  
**To:** [Pegueros, Nick M](#)  
**Subject:** Audit/Finance committee  
**Date:** Tuesday, September 26, 2017 5:26:05 PM

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Hi Nick,

It was great to meet with you today. As we discussed, I am forwarding my comments to you for distribution to the Finance and Audit Committee (FAC) members. FAC members could then review them before discussion at our next meeting.

The basis of these comments results from observations made at the three committee meetings I have attended. My first observation was that it appeared difficult to assemble a quorum. I suggest that the committee structure be changed to be composed of five members who are not city council members. A city council member should be appointed as a non-voting liaison. You should be the staff representative. This change should make it much easier to assemble and retain a quorum.

The mission of the committee should also include review of expenditures to assure the taxpayers that the services for them are provided in the most long-term cost-effective manner. This would give the committee the right to “snoop” and may make some overly sensitive. The goal would be to work WITH staff to help the TEAM get the “best bang for the buck”.

Please contact me with any questions (Nick only) I will continue to work on the other issues we discussed and will send a follow-up email.

Thank you  
Ron

**Ronald W Shepherd, CPA**

**President**

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Shepherd & Associates



## STAFF REPORT

### Finance and Audit Committee

**Meeting Date:** 11/28/2017

**Staff Report Number:** 17-006-FA

**Regular Business:** Review and comment on the draft City Council Policy on 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 Section 2.42.030, the City Manager shall recommend and the City Council shall approve policies and procedures necessary to implement the purchasing system.

### Background

CAs 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 policy - Award Authority and Bid Requirements
- D. FY2017-18 Award Authority and Bid Requirements draft memo

Report prepared by:  
Nick Pegueros, Administrative Services Director

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## 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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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.**

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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)

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**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.

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### 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.

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### 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.

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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.

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**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.

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### 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.



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### 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.

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### 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.

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### 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.

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### 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;

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- 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.

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### 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.

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### 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.

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### 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.



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### 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.

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### 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.

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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.

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### 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.

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- 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.

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**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.

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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.

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### 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.



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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.

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### 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.

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### 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.

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- 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.

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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.

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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.

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### 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.

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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**



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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.

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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.

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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.

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### 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.

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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.

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### 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.

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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.

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### APPENDIX

1. Sample RFQ
2. Exhibits
3. Quick Reference



# AWARD AUTHORITY AND BID REQUIREMENTS

City Council Policy #CC-17-XXXX  
Effective XX/XX/2017  
Resolution #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 1 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 10 days before 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 setup, installation and testing services.

**Informal Bid.** Informal bids, proposals, or quotations may be solicited by any reasonable means including mail, telephone, fax transmission, email or posting to the City's website. Quotations shall be solicited from a minimum 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 Menlo Park Municipal Code 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 limits**

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 bid limit		Formal bid
Public projects	Less than UPCCAA force account limit	Department Head	Informal bid/force account
	UPCCAA force account limit to CMSAL	City Manager	
	CMSAL to UPCCA informal bid limit	City Council	Informal bid
	Greater than UPCCAA informal bid limit	City Council	Formal bid
Claims settlement	Less than CMSAL	City Manager	N/A
	Greater than CMSAL	City Council	

Applicable resolutions		
Resolution	Date	Notes
#4354	March 17, 1992	Established Policy #CC-92-004
#5832	October 21, 2008	Amended Policy #CC-92-004 to add contract approval; established annual inflation adjustments to the CMSAL
#17-XXXX	XXX	Replaced Policy #CC-92-004 with Policy #CC-17-001
Policy maintenance		
<p>As part of their annual review of policies establishing internal controls, the Administrative Services Department shall prepare a memo every July 1 informing the organization of the City Manager's Signature Authority Limit (CMSAL) and applicable limits in the Uniform Public Construction Cost Accounting Act (UPCCAA).</p>		

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**MEMORANDUM**

**Date:** XXXX  
**To:** All City Employees  
**From:** Nick Pegueros, Administrative Services Director  
**Re:** Award authority and bid requirements for fiscal year 2017-18

Pursuant to City Council Policy #CC-17-XXX, this memo establishes the award authority and bid requirements for the fiscal year 2017-18.

Award authority and bid limits			
Category	Amount	Approving authority	Bid requirement
Goods, General Services and Professional services	Less than \$25,000	Department Head	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	City Council	Formal bid
Claims settlement	Less than \$66,887	City Manager	N/A
	Greater than \$66,887	City Council	

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