



CITY OF ATASCADERO FINANCE COMMITTEE SPECIAL MEETING AGENDA

HOW TO OBSERVE AND PARTICIPATE IN THE MEETING:

To observe and/or participate in the Finance Committee Special Meeting, residents can attend the meeting and provide public comment in Room 106 in City Hall.

HOW TO SUBMIT PUBLIC COMMENT:

Individuals who wish to provide public comment may attend the meeting in Room 106 in City Hall. Written public comments are accepted at cityclerk@atascadero.org. **Comments should identify the Agenda Item Number in the subject line of the email.** Such comments will be forwarded to the Finance Committee and made a part of the administrative record. ***To ensure distribution to the Finance Committee prior to consideration of an item, please submit comments no later than 5:00 p.m. the day before the meeting.*** All correspondence will be distributed to the Finance Committee, posted on the City's website, and be made part of the official public record of the meeting. ***Please note, comments will not be read into the record.*** Please be aware that communications sent to the Finance Committee are public records and are subject to disclosure pursuant to the California Public Records Act and Brown Act unless exempt from disclosure under applicable law. Communications will not be edited for redactions and will be printed/posted as submitted.

AMERICANS WITH DISABILITIES ACT ACCOMMODATIONS:

Any member of the public who needs accommodations should contact the City Clerk's Office at cityclerk@atascadero.org or by calling 805-470-3400 at least 48 hours prior to the meeting or time when services are needed. The City will use their best efforts to provide reasonable accommodations to afford as much accessibility as possible while also maintaining public safety in accordance with the City procedure for resolving reasonable accommodation requests.

Finance Committee agendas and minutes may be viewed on the City's website: www.atascadero.org/agendas.

Copies of the staff reports or other documentation relating to each item of business referred to on the Agenda are on file in the office of the City Clerk and are available for public inspection on our website, www.atascadero.org. Contracts, Resolutions and Ordinances will be allocated a number once they are approved by the Finance Committee. The Minutes of this meeting will reflect these numbers. All documents submitted by the public during Finance Committee meetings that are made a part of the record or referred to in their statement will be noted in the Minutes and available for review by contacting the City Clerk's office. All documents will be available for public inspection by appointment during City Hall business hours.



CITY OF ATASCADERO FINANCE COMMITTEE Special Meeting

AGENDA

**Friday, September 27, 2024
11:00 a.m.**

**Atascadero City Hall – Room 106
6500 Palma Avenue, Atascadero, California**

CALL TO ORDER:

ROLL CALL:

Chairperson:	Charles Bourbeau
Vice-Chairperson:	Heather Newsom
Committee Member:	Gere Sibbach
Committee Member:	James R. Lewis
Committee Member:	Jeri Rangel

A. CONSENT CALENDAR:

1. Finance Committee Special Meeting Draft Action Minutes – May 25, 2023

- Recommendation: Committee approve the Draft Action Minutes of the May 25, 2023 Special Meeting of the Finance Committee. [City Clerk]

PUBLIC COMMENT: At this time members of the public may address the Committee regarding any items within the subject matter jurisdiction of the Committee whether or not the item appears on the agenda. Individual audience participation is limited to three minutes per speaker. Please state your name for the record before making your presentation. Following Public Comment, the floor will be closed to public participation and open for business.

B. BUSINESS: This portion of the agenda is for all matters where staff and public participation is anticipated. Individual audience participation is limited to three minutes per speaker. Please state your name for the record before making your presentation.

1. Amendment of the Investment Policy

- Fiscal Impact: No substantial impact is expected.
- Recommendation: Committee recommend Council adopt Draft Resolution amending the City of Atascadero Investment Policy. [Administrative Services Director]

2. Amendment of the Purchasing Policy

- Fiscal Impact: No substantial impact is expected.
- Recommendation: Committee recommend Council adopt Draft Resolution amending the City of Atascadero Purchasing Policy. [Administrative Services Director]

3. Recommendation for Professional Independent Audit Services

- Fiscal Impact: Expenditure of \$27,240 of budgeted General Funds and \$1,600 budgeted Transit funds in fiscal year 2024-2025. The City's budget has not yet been established for fiscal years 2025-2026 and 2026-2027, however, the contract totals for those years are \$29,590 and \$30,355, respectively.
- Recommendation: Committee affirm staff's decision to execute Professional Independent Audit Services Contract with Moss, Levy & Hartzheim LLP for audit services for the fiscal years ended June 30, 2024, 2025, and 2026, with two optional one-year term extensions. [Administrative Services Director]

C. INDIVIDUAL DETERMINATIONS:

1. Chair
2. Vice Chair
3. Treasurer
4. City Staff

ADJOURN



**CITY OF ATASCADERO
FINANCE COMMITTEE
SPECIAL MEETING AGENDA**

DRAFT MINUTES

Thursday, May 25, 2023, 4:00 P.M.

**Atascadero City Hall – Room 106
6500 Palma Avenue, Atascadero, California**

CALL TO ORDER:

Chairperson Charles Bourbeau called the meeting to order at 4:00 P.M.

ROLL CALL:

PRESENT:

Chairperson Charles Bourbeau
Vice Chairperson Heather Newsom
Committee Member Gere Sibbach
Committee Member Rachelle Rickard
Committee Member Jeri Rangel

ABSENT:

None

STAFF PRESENT:

Deputy City Manager – Information Technology
Luke Knight
Deputy Administrative Services Director Cindy Chavez
Public Works Director Nick DeBar
Public Works Analyst/Coordinator Ryan Betz
Administrative Assistant/Deputy City Clerk Dillon James

A. CONSENT CALENDAR

1. Finance Committee Special Meeting Draft Action Minutes – May 18, 2023

- Recommendation: Committee approve the Draft Action Minutes of the May 18, 2023 Special Meeting of the Finance Committee. [City Clerk]

MOTION:

**By Committee Member Sibbach and seconded by Vice Chairperson Newsom to approve the Consent Calendar.
*Motion passed 5:0 by a roll call vote.***

PUBLIC COMMENT: This portion of the meeting is reserved for persons wanting to address the Board on any matter not on this agenda and over which the Board has jurisdiction. Speakers are limited to three minutes. Please state your name for the record before making your presentation. The Board may take-action to direct the staff to place a matter of business on a future agenda. A maximum of 30 minutes will be allowed for Public Comment, unless changed by the Board.

Chairperson Bourbeau opened the Public Comment period.

The following citizens provided public comment: None.

Chairperson Bourbeau closed the Public Comment period.

B. BUSINESS:

1. Review of General Fund – Part II of II

Committee Member Rangel gave the presentation for this item and answered questions from the Committee. Committee Member Rickard, Deputy City Manager Knight, Public Works Director DeBar, and Public Works Analyst/Coordinator Betz also answered questions from the Committee about their respective departments.

2. Review of Internal Service Funds

Committee Member Rangel gave the presentation for this item and answered questions from the Committee. Committee Member Rickard, Deputy City Manager Knight, Public Works Director DeBar, and Public Works Analyst/Coordinator Betz also answered questions from the Committee about their respective departments.

3. Review of Gas Tax Fund

Committee Member Rangel gave the presentation for this item and answered questions from the Committee. Committee Member Rickard, Public Works Director DeBar, and Public Works Analyst/Coordinator Betz also answered questions from the Committee about their respective departments.

4. Review of Community Facilities District Fund

Committee Member Rangel gave the presentation for this item and answered questions from the Committee.

C. INDIVIDUAL DETERMINATIONS:

1. Chair
2. Vice Chair
3. Treasurer
4. City Staff

D. ADJOURNMENT

Chairperson Bourbeau adjourned the meeting at 5:30 P.M.

MINUTES PREPARED BY:

Jeri Rangel
Administrative Services Director

APPROVED:



CITY OF ATASCADERO

FINANCE COMMITTEE STAFF REPORT

Item B1

Department: Administrative Services
Date: 9/27/24
Placement: Management

TO: JAMES R. LEWIS, CITY MANAGER
FROM: JERI RANGEL, DIRECTOR OF ADMINISTRATIVE SERVICES
PREPARED BY: JERI RANGEL, DIRECTOR OF ADMINISTRATIVE SERVICES
SUBJECT: Amendment of the Investment Policy

RECOMMENDATION:

Committee recommend Council adopt Draft Resolution amending the City of Atascadero Investment Policy.

DISCUSSION:

The Investment Policy provides guidelines for the prudent investment of funds, outlines policies for maximizing the efficiency of the City's cash management system, protects pooled cash and ultimately enhances the economic status of the City. California Government Code defines the parameters within which City funds may be invested. The priorities of the Policy continue to be safety, liquidity, and yield.

The City's investment portfolio is concentrated primarily in FDIC insured certificates of deposit, U.S. Government Issues (Agencies) such as Federal Home Loan Bank (FHLB) or Federal National Mortgage Association (FNMA), Supranational Agency Securities, Mechanics Bank Money Market Fund, California and California Local Agency Municipal Obligations, other State Municipal Obligations, and the State Treasurer's Local Agency Investment Fund (LAIF).

The City employs a "ladder system" of staggering the maturity dates of investments. This provides greater diversification in the portfolio, maintains sufficient liquidity, and stabilizes returns.

FISCAL IMPACT:

No substantial impact is expected.

REVIEWED BY OTHERS:

This item has been reviewed by the Deputy City Manager and the Administrative Services Deputy Director.

REVIEWED AND APPROVED FOR COUNCIL AGENDA



James R. Lewis, City Manager

ATTACHMENT(S):

1. **Draft Resolution**– Amending the Investment Policy
2. **Draft City of Atascadero Investment Policy Dated October 22, 2024** (redline version)

DRAFT RESOLUTION

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF ATASCADERO, CALIFORNIA,
AMENDING THE CITY OF ATASCADERO
INVESTMENT POLICY**

WHEREAS, the City Council of the City of Atascadero desires to prudently invest idle funds of the City to maximize the use of taxpayer funds; and

WHEREAS, California Government Code, Section 53646, requires all local agency governing boards to adopt an investment policy and requires the Treasurer or Chief Financial Officer to provide an investment report to the legislative body at least quarterly; and

WHEREAS, the City of Atascadero Investment Policy was last updated in 2020.

NOW, THEREFORE BE IT RESOLVED, by the City Council of the City of Atascadero:

SECTION 1. Recitals. The foregoing recitals are true and correct and the City Council so finds and determines.

SECTION 2. Investment Policy. The Investment Policy, attached as Exhibit A to this Resolution and incorporated herein by this reference, shall become part of this Resolution.

SECTION 3. Approval. The City Council of the City of Atascadero, in a regular session assembled on October 22, 2024, resolved to adopt the City of Atascadero Investment Policy, attached as Exhibit A to this Resolution and incorporated herein by this reference.

SECTION 4. Effective Date. This Resolution shall take effect upon its adoption and shall remain in effect until revised by the City Council.

PASSED AND ADOPTED at a regular meeting of the City Council on the _____ day of October, 2024.

On motion by Council Member _____ and seconded by Council Member _____, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

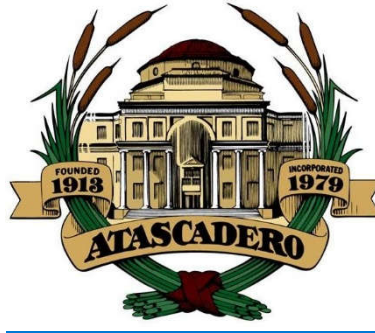
- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

CITY OF ATASCADERO

Heather Moreno, Mayor

ATTEST:

Lara K. Christensen, City Clerk



City of Atascadero

Investment Policy

Dated ~~September 8, 2020~~ October 22, 2024

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I. OVERVIEW

INTRODUCTION

The purpose of this document is to provide guidelines for the prudent investment of funds not required for the immediate needs of the City, and outline policies for maximizing the efficiency of the City's cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled cash.

SCOPE

Included in the scope of the City's investment policy are the following major guidelines and practices, which are to be used in achieving the City's primary investment objectives:

- Investment Authority and Responsibilities
- Eligible Financial Institutions
- Authorized Investments
- Investment Parameters
- Cash Management
- Evaluation of Investment Performance
- Investment Reporting
- Investment Policy Review and Adoption

It is intended that this policy cover all funds and investment activities under the direct authority of the City. These funds are accounted for in the Annual Financial Report and include the general fund, special revenue funds, debt service funds, capital project funds, enterprise funds, internal service funds and agency funds, including any Successor Agency funds in the City's pooled cash funds.

Subject to the prior written consent and approval of the City Treasurer and City Manager, financial assets held and invested by trustees or fiscal agents are excluded from this policy. However, such assets are nevertheless subject to the regulations established by the State of California pertaining to investments by local agencies as well as the related bond indentures.

I. OVERVIEW (continued)

GENERAL OBJECTIVES

The primary objectives of investment activities, in priority order, shall be safety, liquidity, and yield:

1. *Safety*

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

b. Interest Rate Risk

The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

2. *Liquidity*

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio will also be placed in money market mutual funds or local government investment pools, which offer same-day liquidity for short-term funds.

I. OVERVIEW (continued)

GENERAL OBJECTIVES (continued)

3. *Yield*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. For purposes of comparing alternative investments all yields should be converted to a "money market" equivalent yield. Securities shall not be sold prior to maturity with the following exceptions:

- a. A security with declining credit may be sold early to minimize loss of principal.
- b. A security swap would improve the quality, yield, or target duration in the portfolio.
- c. Liquidity needs of the portfolio require that the security be sold.
- d. A capital gain would be realized that better positions the overall portfolio in achieving investment policy goals.

STANDARDS OF CARE

The City operates its pooled idle cash investments under the "Prudent Person Rule" which obligates a fiduciary to ensure that investments shall be made:

"...using the judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital". (Uniform Prudent Investor Act)

Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

II. INVESTMENT AUTHORITY AND RESPONSIBILITIES

AUTHORIZED INVESTMENT OFFICERS

California Government Code Section 53601 states that the legislative body of a local agency (i.e., the City Council) is authorized to invest surplus moneys as specified in that code section. In accordance with California Government Code Section 53607, this authority may be delegated to the City Treasurer for a one-year period by the City Council. Subject to review, the City Council may renew the delegation of authority under this code section each year. Idle cash management and investment transactions are the responsibility of the City Treasurer or designee. The City Council has authorized the following officials to undertake investment transactions on behalf of the City:

City Treasurer
 City Manager
 Director of Administrative Services
 Deputy Director of Administrative Services

It is the policy of the City for the Director of Administrative Services to manage the investment activity of the funds of the City. The City Manager and the City Treasurer shall supervise the activities of the Director of Administrative Services.

The Finance Review Committee may meet to discuss the status of current investments, strategies for future investment, and other investment matters deemed relevant, and shall report to the City Council as necessary. The City Attorney shall, as required by Government Code section 36518, review the bonding requirement for the City Treasurer upon entering the duties of the Treasurer's office.

INVESTMENT PROCEDURES

The authorized investment officers as stated above, in accordance with the City of Atascadero Investment Policy, are responsible for administering an investment program which:

- Adheres to the Statement of Investment Policy
- Prioritizes safety and liquidity
- Determines risk and optimizes return
- Provides for a system of due diligence in making investment decisions.

INTERNAL CONTROL

The Director of Administrative Services is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

II. INVESTMENT AUTHORITY AND RESPONSIBILITIES (continued)

INTERNAL CONTROL (continued)

Accordingly, the Director of Administrative Services shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written or electronic signature confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third party custodian

STATE OVERSIGHT

The City shall comply with the regulations established by the State of California pertaining to investments.

CONFLICTS OF INTEREST

The City adopts the following policy concerning conflicts of interest:

1. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions.
2. Officers and employees involved in the investment process shall disclose to the City Clerk any material financial interest in financial institutions that conduct business with the City of Atascadero and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio.
3. Officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City.
4. In making investment decisions, the Investment Officers shall be guided by the recommendations of the Finance Review Committee and avoid the undue influence of individual City officers and officials.
5. Investments are prohibited in certificates of deposit of state or federal credit unions if any city officer, city manager or city fiscal officer serves on the credit union board or in any key committee positions.

III. ELIGIBLE FINANCIAL INSTITUTIONS (continued)

SELECTION OF ELIGIBLE FINANCIAL INSTITUTIONS

Broker/dealers and safekeeping/custodial agents who desire to become qualified for investment transactions must provide the following documents (as appropriate) for annual review by the Director of Administrative Services:

- Audited financial statements
- Proof of ~~the Financial Industry Regulatory Authority~~ [FINRA](#) ~~National Association of Securities Dealers (NASD)~~ certification
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read and understood and agreeing to comply with the City's investment policy.

In selecting financial institutions for deposit or investment of funds, the authorized Investment Officers shall consider the credit-worthiness of the institution.

- Deposits The City will only deposit funds with an institution that has a rating of at least "A" as assigned by an established rating service based on quarterly financial information provided by the Federal Reserve Board and the Federal Home Loan Bank Board (i.e., The Financial Directory). Ratings will be monitored on a quarterly basis and any downgrade in rating below "A" will be reported to the Finance Review Committee together with a recommendation for possible action.
- Brokers/Dealer Investments must be purchased directly from the issuer, from an institution licensed by the state as a broker-dealer, from a member of a federally regulated securities exchange, or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank. Broker/dealers shall be selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation).
- Safekeeping and Custodial Institutions Safekeeping and custodial institutions shall be selected on the basis of credit worthiness with a minimum of capitalization of \$100,000,000 and at least 5 years of operation. Safekeeping and custodial institutions must be fiduciaries of the City and independent of any broker/dealers. All safekeeping and custodial arrangements shall require written agreements. All safekeeping and custodial agreements shall be reviewed by the City Treasurer and Director of Administrative Services and approved by the City Attorney prior to conducting any investment activities.

From time to time, the investment officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to the above criteria may be granted. Deposits covered by insurance can be exempted from the Safekeeping and Custodial Institutions clause related to credit worthiness. All terms and

III. ELIGIBLE FINANCIAL INSTITUTIONS (continued)

SELECTION OF ELIGIBLE FINANCIAL INSTITUTIONS (continued)

relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law.

These types of investment purchases should be approved by City Council in advance. The authorized Investment Officers will maintain a file of the broker/dealers and authorized safekeeping/custodial institutions with which it is currently doing business which will include the firm name, contact person, telephone number, and current audited financial statements.

SAFEKEEPING AND CUSTODY

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. A third-party custodian as evidenced by safekeeping receipts will hold securities.

IV. AUTHORIZED INVESTMENTS

INVESTMENT TYPES

The California Government Code Sections 16429.1 and 53601 govern investment of City funds. Investments may not have a term or maturity at the time of investment of longer than that authorized by Section 53601 or five years unless the City Council has granted prior express authority.

As previously stated, the City operates its investments under the prudent person rule (Civil Code Section 2261, et. seq.), except where more specifically restricted. This affords the City a broad spectrum of investments, so long as the investment is deemed prudent and is allowable under current legislation of the State of California (Government Code Section 53600, et. seq.) and applicable City trust agreements, if any.

It should be noted that while the Government Code specifies the maximum percentage of the portfolio that may be held in each type of investment at any one time, fluctuations in the portfolio balance will prevent strict adherence to such restrictions. Therefore, percentage limitations shall apply to investments at the time of purchase.

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable:

1. **State Treasurer's Local Agency Investment Fund (LAIF)**
Government Code Section 16429.1: The City may invest in the Local Agency Investment Fund. LAIF is a diversified investment pool administered by the California State Treasurer. Monies invested with LAIF are pooled with State monies in order to earn the maximum rate of return consistent with safe and prudent treasury management.

 LAIF information including LAIF policies and restrictions shall be available in the City's Administrative Services Department. A thorough investigation of the pool is required on a continual basis. (See Due Diligence Requirement on page 11.)
2. **U.S. Government Issues**
Government Code Sections 53601 (b) and (f): The City's portfolio may be invested in U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value.
3. **California and California Local Agency Municipal Obligations**
Government Code Sections 53601 (c) and (e): The City may invest in obligations of the State of California or any local agency within the state including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state or any local agency or by a department, board, agency, or authority of the state or any local agency. In addition, these securities shall be rated in a rating category of "A" or its equivalent or higher by a nationally

IV. AUTHORIZED INVESTMENTS (continued)

INVESTMENT TYPES (continued)

3. **California and California Local Agency Municipal Obligations (cont.)**
 recognized statistical rating organization (NRSRO). Purchase of California and California local agency municipal obligations, together with other state municipal obligations, may not exceed thirty percent (30%) of the City's investment portfolio.

4. **Other State Municipal Obligations**
Government Code Section 53601 (d): The City may invest in registered treasury notes or bonds of any of the other 49 United States in addition to California including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California (~~Government Code section 53601(d)~~). In addition, these securities shall be rated in a rating category of "A" or its equivalent or higher by a NRSRO. Purchase of other state municipal obligations, together with California and California local agency municipal obligations, may not exceed thirty percent (30%) of the City's investment portfolio

5. **Bankers Acceptances**
Government Code Section 53601 (g): Up to forty percent (40%) of the City's portfolio may be invested in Bankers Acceptances which are defined as bills of exchange or time drafts, drawn on and accepted by a commercial bank, which are eligible for purchase by the Federal Reserve System, although no more than thirty percent (30%) of the portfolio may be invested in Bankers Acceptances with any one commercial bank. Additionally, the maturity periods cannot exceed 180 days.

6. **Commercial Paper**
Government Code Section 53601 (h): A maximum of twenty five percent (25%) of the City's portfolio may be invested in highest tier (e.g. A-1, P-1, F-1 or D-1 or higher) commercial paper as rated by ~~Moody's or Standard and Poor's rating service~~ an NRSRO. Issuing corporations must be organized and operating in the United States, have in excess of \$500 million total assets, and have at least an "A" rating (by ~~Moody's or Standard and Poor's~~ an NRSRO) on debt other than commercial paper. The maturity period cannot exceed 270 days. Purchases of eligible commercial paper from a single issuer may not exceed ten percent (10%) of the outstanding paper of an issuing corporation of total investment assets.

IV. AUTHORIZED INVESTMENTS (continued)

INVESTMENT TYPES (continued)

7. Certificates of Deposit ~~and Passbook Savings Accounts~~

A maximum of thirty percent (30%) of the City's portfolio may be invested in certificates of deposit ~~or passbook savings account~~. The minimum requirements for Certificate of Deposit investments shall be:

- Investments and accrued interest shall never exceed the FDIC insurance limit in any one institution.
- Qualified institutions must have a minimum equity ratio of 6% and a minimum capitalization of \$10,000,000.

Purchases of negotiable certificates of deposit, issued by a nationally or state-chartered bank or a state or federal association, or by a state licensed branch of a foreign bank, may not exceed 30 percent of the agency's surplus money, which may be invested pursuant to this section, per Government Code Section 53601(i). Negotiable certificates of deposit may be purchased in the secondary market at a discount but never at a premium, since the premium would not be FDIC insured.

California law requires that public funds be collateralized by maintaining with the agent of the depository government securities having a market value of at least one hundred ten percent (110%) of the value of the public fund accounts. The collateralization requirement may be waived to the extent that funds are federally insured. For deposits equivalent to the maximum insured amount, security may also be waived for interest accrued on the deposit provided the interest is computed by the depository on the average daily balance of the deposits, paid monthly and computed on a 360-day basis.

8. Money Market Mutual Funds

Government Code Section 53601 (l): Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec 80a-l et seq.) shall not exceed twenty percent (20%) of the agency's surplus money that may be invested pursuant to this section. The fund shall be managed by a registered or exempt investment advisor with not less than 5 years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). The fund shall have attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. No more than ten percent (10%) of the agency's surplus funds may be invested in shares of beneficial interest of any one money market mutual fund.

IV. AUTHORIZED INVESTMENTS (continued)

INVESTMENT TYPES (continued)

9. Supranational Agency Securities

Government Code Section 53601 (g): Up to thirty percent (30%) of the City's portfolio may be invested in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this paragraph shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO. No more than 10% of the City's portfolio shall be invested in obligations of any one bank.

DUE DILIGENCE REQUIREMENT

As stated, a thorough investigation of an investment pool or mutual fund is required prior to investing and on a continual basis. At a minimum, the following information shall be reviewed periodically for each pool and/or mutual fund:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations, how interest is distributed, and how gains and losses are treated.
3. A description of how these securities are safeguarded (including the settlement process), and how often these securities are priced and the program audited.
4. A description of who may invest in the program, how often, and the size of deposits and withdrawals.
5. A schedule for receiving statements and portfolio listings.
6. Whether reserves, retained earnings, etc. are utilized by the pool/fund.
7. A fee schedule and when and how fees are assessed.
8. Whether the pool/fund is eligible for bond proceeds and/or will it accept such proceeds.

PROHIBITED INVESTMENTS

The City of Atascadero shall not invest in any investment instrument/pool/fund unless specifically allowed under the "Investment Types" section of this policy.

The City of Atascadero shall comply with Government Code Section 53601.6 that states in pertinent part, "~~(a)~~ A local agency shall not invest any funds pursuant to this article in inverse floaters, range notes, or mortgage-derived interest-only strips. ~~(b)~~ A local agency shall not invest any funds pursuant to this article in any security that could result in zero interest accrual if held to maturity."

IV. AUTHORIZED INVESTMENTS (continued)

LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment types or percentage allocations will be incorporated into the City of Atascadero Investment Policy and supersede any and all previous applicable language. If the City is holding an investment that is subsequently prohibited by a legislative change, the City may hold that investment, if it is deemed prudent by the Finance Review Committee, until the maturity date to avoid an unnecessary loss.

REVIEW OF INVESTMENT PORTFOLIO

The securities held by the City must be in compliance with Authorized Investments at the time of purchase. The City Treasurer shall establish procedures to report to the City Council and Finance Review Committee, in the event of any major and critical incidences of noncompliance identified through the review of the portfolio.

V. INVESTMENT PARAMETERS

DIVERSIFICATION

The investments shall be diversified by:

- Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding Local Agency Investment Fund and U.S. Treasury securities),
- Limiting investment in securities that have higher credit risks,
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LAIF), or money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

MAXIMUM MATURITIES

In order to minimize the impact of market risk, it is intended that all investments will be held to maturity.

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The Finance Review Committee may meet to review weighted average maturity limitations (which often range from 90 days to 2 years), consistent with investment objectives and economic conditions.

Investments may be sold prior to maturity for cash flow, appreciation purposes or in order to limit losses; however, no investment shall be made based solely on earnings anticipated from capital gains.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds.

VI. CASH MANAGEMENT

In order to obtain a reasonable return on public funds, the following cash management practice will be followed:

1. Maintain maximum investment of all City funds not required to meet immediate cash flow needs.
2. Except for cash in certain restricted and special funds, the City will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.
3. Maximize the City's cash flow through immediate deposit of all receipts, use of direct deposit when available, and appropriate timing of payment to vendors.
4. Daily cash flow management shall be the responsibility of the Director of Administrative Services in conjunction with the City Treasurer.

VII. EVALUATION OF INVESTMENT PERFORMANCE

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs.

BENCHMARK COMPARISON

The investment portfolio shall be structured to optimize the return given the risk constraints and cash flow needs.

Investment activity summary reports shall be generated on a monthly basis for presentation to the City Council.

In evaluating the performance of the City's portfolio in complying with this policy, it is expected that yields on City investments will regularly meet or exceed the average return on a two-year U.S. Treasury Note. However, the Finance Review Committee for evaluation purposes considers a variance of .5% positive or negative from the benchmark reasonable.

VIII. INVESTMENT REPORTING

REPORTS TO CITY COUNCIL

The City Treasurer shall prepare and submit a quarterly investment report to the City Council. This report will include the following elements relative to the investments held at quarter-end.

1. Face value.
2. Security description.
3. Coupon rate.
4. Maturity date.
5. Investment rating.
6. Investment type.
7. Purchase date.
8. Cost of security.
9. Yield-to-Maturity
10. Estimated market value.
11. Amortized premium/discount.
12. Unrealized Gain <Loss>.
13. Listing of investment by maturity.
14. Gains or Losses on the sale of securities not held to maturity.
15. Bank failures.
16. Investment ratings downgraded by Moody's or Standard and Poor's.
17. Statement relating the report to the Statement of Investment Policy.
18. Statement that there are sufficient funds to meet the next six months' obligations.

IX. INVESTMENT POLICY REVIEW AND ADOPTION

The Statement of Investment Policy shall be submitted as needed to the City Council for adoption. The policy shall be reviewed periodically to ensure its consistency with the overall objectives of the City and its relevance to current law and financial and economic trends. Any modifications made thereto must be approved by the City Council.

APPENDIX: Glossary

The following is a glossary* of key investing terms.

Accrued Interest - The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization - The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Average Life - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Basis Point - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

Bid - The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk - The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase - A transaction that calls for delivery and payment of securities on the same day that the transaction is initiated.

*This glossary has been adapted from an article, entitled "Investment terms for everyday use," that appeared in the April 5, 1996, issue of *Public Investor*, GFOA's subscription investment newsletter.

APPENDIX: Glossary (continued)

Collateralization - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 365 days.

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon Rate - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate".

Credit Quality - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Derivative Security - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Discount - The amount by which the par value of a security exceeds the price paid for the security.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

APPENDIX: Glossary (continued)

Fair Value - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Funds (Fed Funds) - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate - Interest rate charged by one institution lending federal funds to the other.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Interest Rate - See "Coupon Rate".

Interest Rate Risk - The risk associated with declines or rises in interest rates that cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. Control of collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employers.
2. Separation of transaction authority from accounting and record keeping - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

APPENDIX: Glossary (continued)

Internal Controls (continued)

5. Clear delegation of authority to subordinate staff members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Inverted Yield Curve - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940 - Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Liquidity - An asset that can be converted easily and quickly into cash.

Local Agency Investment Fund (LAIF) - The Local Agency Investment Fund (LAIF) is a voluntary program created by statute; began in 1977 as an investment alternative for California's local governments and special districts and it continues today. The enabling legislation for the LAIF is Section 16429.1 et seq. of the California Government Code.

This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office investment staff at no additional cost to the taxpayer.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

APPENDIX: Glossary (continued)

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus that is updated and filed by the SEC annually.

Mutual Fund Statistical Services - Companies that track and rate mutual funds.

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

$$\frac{[(\text{Total assets}) - (\text{Liabilities})]}{(\text{Number of shares outstanding})}$$

No Load Fund - A mutual fund that does not levy a sales charge on the purchase of its shares.

APPENDIX: Glossary (continued)

Nominal Yield - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the “coupon,” “coupon rate,” or “interest rate.”

NRSRO - Nationally recognized statistical rating organization

Offer - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the “Ask price.”

Par - Face value or principal value of a bond, typically \$1,000 per bond.

Positive Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium - The amount by which the price paid for a security exceeds the security’s par value.

Prime Rate - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer’s business, the proposed use of proceeds, the experience of the issuer’s management, and certain certified financial statements.

Prudent Person Rule - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Regular Way Delivery - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (Repo or RP) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

APPENDIX: Glossary (continued)

Reverse Repurchase Agreement (Reverse Repo) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act - Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Serial Bond - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund - Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Supranational Agency – Global entity whose membership transcends national boundaries and whose constituent countries share in decision making, such as the International Bank of Reconstruction and Development (IBRD) or the World Bank, whose purpose is to promote economic development.

Swap - Trading one asset for another.

Term Bond - Bonds comprising a large part or all of a particular issue that come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain period.

$$(\text{Price appreciation}) + (\text{Dividends paid}) + (\text{Capital gains}) = \text{Total Return}$$

Treasury Bills - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to ten years and issued in denominations ranging from \$1,000 to \$1,000,000 or more.

APPENDIX: Glossary (continued)

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility - A degree of fluctuation in the price and valuation of securities.

“Volatility Risk” Rating - A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The rating for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns (“aaa” by S&P; “V-1” by Fitch) to those that are highly sensitive with currently identifiable market volatility risk (“ccc-“ by S&P, “V-10” by Fitch).

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

When Issued (WI) - A conditional transaction in which an authorized new security has not been issued. All “when issued” transactions are settled when the actual security is issued.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security’s current price.

Yield-to-call (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield-to-maturity - The rate of return yielded by a debt security held to maturity when both interest payments and the investor’s potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.



CITY OF ATASCADERO

FINANCE COMMITTEE STAFF REPORT

Item B2

Department: Administrative Services
Date: 9/27/24
Placement: Management

TO: JAMES R. LEWIS, CITY MANAGER
FROM: JERI RANGEL, DIRECTOR OF ADMINISTRATIVE SERVICES
PREPARED BY: JERI RANGEL, DIRECTOR OF ADMINISTRATIVE SERVICES
SUBJECT: Amendment of the Purchasing Policy

RECOMMENDATION:

Committee recommend Council adopt Draft Resolution amending the City of Atascadero Purchasing Policy.

DISCUSSION:

The City's Purchasing Policy provides guidelines to obtain quality supplies, services, vehicles, and equipment at the lowest possible overall cost. The Policy also ensures maximum use of fair and open competition and receipt of the best value for funds available, consistent with applicable laws and regulations.

The Policy was last updated March 22, 2022 and is reviewed and amended periodically as needed. The Draft Policy includes a new section regarding Design-Build Procurement as authorized by California Public Contract Code, updates to the Travel Policy Section to reflect modern travel trends, and some minor language and formatting changes to further clarify the existing Policy.

FISCAL IMPACT:

No substantial impact is expected. However, staff expects to realize savings with the use of Design-Build Procurement, where appropriate, for large projects.

REVIEWED BY OTHERS:

This item has been reviewed by the Deputy City Manager and the Administrative Services Deputy Director.

REVIEWED AND APPROVED FOR COUNCIL AGENDA



James R. Lewis, City Manager

ATTACHMENT(S):

1. **Draft Resolution** – Amending the Purchasing Policy
2. **Draft City of Atascadero Purchasing Policy Dated October 22, 2024** (redlined version)

DRAFT RESOLUTION

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ATASCADERO, CALIFORNIA, AMENDING THE PURCHASING POLICY

WHEREAS, the basic purchasing policy of the City of Atascadero is to obtain quality supplies, services, vehicles and equipment needed for the proper operation of its various divisions at the lowest possible overall cost; and

WHEREAS, this includes maintaining a purchasing system that ensures maximum use of fair and open competition and receipt of the best value for funds available, consistent with applicable laws and regulations.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Atascadero:

SECTION 1. Recitals. The foregoing recitals are true and correct and the City Council so finds and determines.

SECTION 2. Purchasing Policy. The Purchasing Policy hereby attached as Exhibit A shall become part of this resolution.

SECTION 3. Effective Date. This resolution shall take effect immediately after the effective date of this Resolution, and shall remain in effect, until revised by the City Council.

PASSED AND ADOPTED at a regular meeting of the City Council on the _____ day of October, 2024.

On motion by Council Member _____ and seconded by Council Member _____, the foregoing Resolution is hereby adopted in its entirety on the following roll call vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

CITY OF ATASCADERO

Heather Moreno, Mayor

ATTEST:

Lara K. Christensen, City Clerk



City of Atascadero

Purchasing Policy

~~March 22, 2022~~ October 22, 2024

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A. California Public Contract Code Sections 22030 - 220458573

SECTION I **GENERAL**

PURPOSE AND SCOPE

This document defines the procurement policies and procedures for the City of Atascadero.

1.0 GENERAL PROVISIONS

The basic purchasing policy of the City of Atascadero is to obtain quality supplies, services, vehicles and equipment needed for the proper operation of its various divisions at the lowest possible overall cost. This includes maintaining a purchasing system that ensures maximum use of fair and open competition and receipt of the best value for funds available, consistent with applicable laws and regulations.

The purchasing functions are decentralized, with each Department/Division responsible for compliance with City policies and procedures. Purchasing responsibility and authority shall be delegated to the lowest possible level consistent with good business practice and sound financial management policy to the extent practical.

The following apply to all purchases made by the City of Atascadero:

1. No purchase will be approved or undertaken unless an appropriation has been established, through either the adopted annual budget or City Council approval of additional appropriations. It is the responsibility of the Department/Division to maintain budget control of their individual budgets. Ultimate responsibility for the individual budget rests with the Department Director.
2. All purchases shall be of the quality deemed necessary to suit the intended purpose, suitable and beneficial to the City, and in the City's best interest.
3. Competitive quotations will be sought based on established dollar limits. Established dollar limits and procedures for specific purchase types are set out in this policy as follows:

General Supplies and Equipment- Section II

Proprietary Equipment and Goods- Section III

General Trade Services- Section IV

Professional Services- Section V

Public Works Contracts- Section VI

Design-Build Procurement- Section VII

Section I – GENERAL

1.0 GENERAL PROVISIONS (continued)

Travel- Section ~~VIII~~

Petty Cash- Section ~~VIII~~

Disposal of Assets- Section ~~IX~~

Appendix A, Public Contract Code- Section XI

4. Certain purchases are unique in nature and do not lend themselves to the process of competitive bidding. Therefore, these items are excluded from the competitive bidding and purchase order requirements in Sections II through VI. These items include, but are not limited to, County Services, debt service payments, and ongoing expenses for utilities or services (such as telephones, services agreements, etc.). The bill or invoice should be forwarded to the Administrative Services Director for authorization.
5. The dollar limits for purchases and bids are established by ordinance or resolution. Purchases shall not be split to avoid the required procedures or certain dollar limits.
6. Receipt of goods or services will be verified and approved by the appropriate official prior to payment of invoices.
7. The emergency purchase of goods is authorized under certain conditions.
8. The City Council may waive by majority vote any provision within this policy.
9. No purchase of supplies, services, or equipment over \$30,000.00 shall be made without an authorized purchase order unless exempted in these guidelines. Otherwise:
 - 9.1 Such purchases are void and not considered an obligation of the city.
 - 9.2 Invoices without an authorized purchase order may be returned to the vendor unpaid.
10. No City employee shall have a direct or indirect financial interest in any contract or purchase of goods or services entered into by the City, or shall derive any personal benefit from the City's purchase of goods or services.
11. No City employee shall use the City's purchasing procedures to obtain property for personal use, by misrepresenting to vendors for the purpose of obtaining price discounts that the personal purchases are for the City.
12. No City employee shall draft or cause to be drafted any specifications for bids in such a way as to intentionally limit the bidding directly or indirectly to any one bidder, except for the sole source procurement.

Section I – GENERAL

1.0 GENERAL PROVISIONS (continued)

13. Local Vendor Preferences

- 13.1 Although no preferences are available to Public Works projects, a five percent (5%) variance will be allowed for the purchase of operating equipment, supplies, and trade services from vendors located within City limits.
- 13.2 When soliciting informal quotes, local vendors should be used whenever practical. Use of non-local vendors should be limited to those vendors with a clearly demonstrated advantage in terms of expertise, product, service and/or price.
- 13.3 Local Vendor is defined in a relative sense: a vendor located in Atascadero is more “local” than one from the North County. A North County vendor is more “local” than one from San Luis Obispo City. But a vendor from San Luis Obispo County is still more “local” than other counties or states.
- 13.4 For purposes of the five percent variance, only businesses with an Atascadero address and a business license (if required) are eligible.

2.0 FEDERAL, STATE AND OTHER GRANT PROGRAMS

Federal, State, or grant programs may require special conditions that are more stringent than City procedures. It is the responsibility of the department accepting the grant to ensure that all grant provisions are complied with.

3.0 SIGNATURE AUTHORIZATION

1. Each Department Head shall complete and forward to Administrative Services a Signature Authorization form, identifying those employees approved by the Department Head to sign off on various financial and other administrative documents and the amount of such signature authorizations. The form shall be developed by the Administrative Services Director and revised from time to time as needed.
2. The form shall identify specific Departments, Divisions or Programs, the employee’s name and signature and list specific documents each employee is authorized to sign and the amount authorized to sign. It is the Department Head’s responsibility to keep the information current. The Administrative Services Director shall approve all forms.
3. Any documents missing the appropriate signature(s) will be returned to the originating department.

Section I – GENERAL

3.0 SIGNATURE AUTHORIZATION (continued)

4. Only Regular or Probationary City employees are authorized to sign off on documents obligating the City to expend public monies. Temporary or Volunteer employees, or individuals under contract with the City, may be able to acquire items but any receipts must be countersigned by an authorized employee.
5. The number of authorized signatures should be kept to a minimum, to assure better control over departmental appropriations.

4.0 DEPARTMENT RESPONSIBILITIES

It is the responsibility of the acquiring Department/Division to:

1. Make purchases in accordance with established policies and procedures.
2. Verify that an appropriation is available for the purchase.
3. Anticipate the Department/Divisions' needs well in advance in order to minimize the need for emergency purchases.
4. Review goods and services received to ensure conformity with purchase order or contract.
5. When a cost discrepancy for goods or services dissatisfaction arises, notify the Administrative Services Department. No bill should be processed for payment when the goods or services are unsatisfactory, or there is a price discrepancy between the originally quoted price and the bill received.

5.0 PAYMENT AUTHORIZATION

1. An authorized signature on the invoice, receipt or other backup shall be considered authorization for payment. The signature shall indicate that the signer has:
 - Verified that the City has received the goods or services in good working condition.
 - Verified that the purchase complies with this purchasing policy and that funds are available for the purchase.
2. In certain instances it may be in the City's best interest to issue payment prior to receipt of the authorizing signature on the invoice. The City Manager or the Director of Administrative Services may authorize payment in those instances.
3. Checks shall be processed and issued by an employee other than check signer.
4. All payments in excess of \$25,000 shall require two live signatures on the checks.

Section I – GENERAL

6.0 ELECTRONIC SIGNATURES

California law and Atascadero Resolution 2024-007 authorizes the use and acceptance of digital signatures and electronic documents. In certain instances, the City would benefit from the use of digital signatures and electronic documents in lieu of wet signatures and paper records. In those cases, digital and electronic documents may be implemented when feasible and within available technology and legal frameworks.

For contracts, purchase orders, invoices, and other documents with a value less than \$100,000, a scan of a wet-signed document can be accepted from a third party by email or other similar method of receipt. For documents with a value of \$100,000 or more, a secured and externally verified digital signature is required. This could be in the form of DocuSign, Adobe Signature, or other similar method that credentials the user and documents the date and time of the electronic signature.

Section II
GENERAL SUPPLIES, MATERIALS
AND EQUIPMENT

PURPOSE

Provide guidelines for the purchase of general supplies, materials and equipment. Supplies, materials and equipment shall consist of any and all articles or things which shall be furnished to or used by any department, excluding proprietary equipment and goods (Section III) and any goods purchased as part of a Public Works Project (Section VI).

In instances where goods and services are purchased together from one vendor, this section shall only apply if the predominant portion of the purchase is goods. (i.e. A purchase of equipment for \$1,000 with a \$300 installation fee would be covered under this section of the policy. A repair of equipment with \$1,000 in labor and \$300 in parts would be covered under Section IV- General Trade Services)

POLICIES

There are three levels of authority for normal purchases: Department/Division Award, City Manager Award, and City Council Award. Generally, authority is established by the dollar amount of the purchase.

1.0 DEPARTMENT/DIVISION AWARD < \$30,000.01

The Department/Division manager may authorize the purchase of supplies, equipment, or services as needed up to \$30,000.

These purchases do not require competitive bidding and departments are given considerable discretion in these purchases.

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00

Material/supply purchases over \$30,000 and under \$100,000.01 must be awarded by the City Manager or the Director of Administrative Services. Informal bidding should be used to assure the most competitive price is received for an item, while avoiding the additional time and expense involved in formal bidding.

2.1 Informal Quotes:

The Department shall make every attempt to receive at least three bids in writing or over the phone.

Section II – GENERAL SUPPLIES, MATERIALS AND EQUIPMENT

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00 (continued)

2.1 Informal Quotes (continued)

- a) Phone Bids: Phone bids must be documented to the satisfaction of the Director of Administrative Services. Ideally, documentation should include the name of the company bidding, the person giving the quote, the date and time of the phone call, the amount quoted and any other relevant information.
- b) Three Quotes: The Department should make every reasonable attempt to obtain at least three bids, however it is understood that at times it is neither practical nor cost effective to continue soliciting quotes until three bids are received. In the event that three viable quotes are not received, the Department shall document what steps were taken to obtain quotes, any vendors contacted that declined to bid, and if applicable, why it is not practical to receive three quotes.
- c) Exceptions: The informal bid process may be bypassed with Department Head and City Manager or the Director of Administrative Services approval in the following four instances:
 1. In emergency situations where time is of the essence, the appropriate Department Head may dispense with obtaining three informal quotes to obtain materials necessary in dealing with the emergency. Immediately following the emergency, the Department Head shall forward a copy of the purchase order along with an explanation to the City Manager or the Director of Administrative Services.
 2. When one known supplier is available, the Department Head shall document that it is a “sole source” purchase. Most sole source purchases shall be the result of the City deciding that it is in its best interest to use a specific proprietary brand item. (i.e. For ease of maintenance, the City may choose to only purchase one brand of computers).
 3. When there exists other governmental contracts that were competitively bid (such as State Contracts, DGS, etc.) that the City is eligible to use.
 4. When an item has been bid within the last 36 months and the price has not changed.
- d) Evaluating Bids: The Department shall evaluate the three informal quotes received and determine the lowest most responsive bid. The City reserves the right to accept that bid which is in the best interest of the City. When selecting the recommended bidder the Department Head will take into consideration:
 1. Price.
 2. Ability, capacity, and skill.
 3. Ability to meet time requirements.
 4. Character, integrity, and reputation.
 5. Previous vendor experience.

**Section II – GENERAL SUPPLIES, MATERIALS
AND EQUIPMENT**

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00 (continued)

2.1 Informal Quotes (continued):

Section II – GENERAL SUPPLIES, MATERIALS AND EQUIPMENT

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00 (continued)

d) - Evaluating Bids (continued):

6. Financial resources available for contract performance.
7. Ability to provide future maintenance and service, if necessary.

2.2 Purchase Order

A purchase order shall be prepared detailing the vendor name, address, item being purchased, total price including tax and shipping, and budget account to be charged. The purchase order shall be signed and dated by the Department Head.

The purchase order packet shall be submitted to the City Manager or the Director of Administrative Services for approval and should include a copy of the informal bid summary. He/she will review the purchase order packet for conformity to the purchasing policy, for compliance with other established procedures and for availability of funds. The City Manager or the Director of Administrative Services shall then approve and sign the purchase order.

2.3 Purchasing Item

Once the Department has received the approved Purchase Order from the City Manager or the Director of Administrative Services, they may contact the vendor and purchase the item. Items must generally be shipped to a City address or worksite. If the product will be shipped to an alternate location, this should be cleared through the Administrative Services Department in advance.

2.4 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original material/supply purchase that result in less than a \$100,000 overall contract amount. Change orders in excess of the \$100,000 total contract amount shall be brought to the City Council for approval.

Section II – GENERAL SUPPLIES, MATERIALS AND EQUIPMENT

3.0 CITY COUNCIL AWARD > \$100,000.00

Material/supply purchases over \$100,000 must be awarded by the City Council. Formal bidding should be used to assure all possible vendors are given the opportunity to bid on major City purchases, thereby assuring the City that it has received the most competitive price. The formal process generally takes more time and expense than informal bidding and in some instances may actually not be the most cost-effective approach.

3.1 Formal Bidding

The initiating Department shall be responsible for completion of the formal bid process, however the process shall be coordinated with the City Clerk's Office and the Administrative Services Department.

- a) Bid Forms: The initiating department shall prepare a bid form including detailed specifications for the item to be purchased. The following format is suggested for competitive bids
1. Submission of bids (or proposals) – Include date, time, location and bid number as assigned by the City Clerk. Include a detailed list of the information the bid or proposal should contain.
 2. Questions – List the name, address, and telephone number of the person to be contacted concerning questions about the project.
 3. Background – Provide as much background as necessary to give the bidder an understanding of the environment in which the job will be performed and to which the job relates.
 4. Scope of work – Describe in detail the requirement for the job and detail specification.
 5. Desired project schedule – Be as specific as possible.
 6. Minimum and desirable qualifications – Be as specific as possible.
 7. Performance Bond – Whether a performance bond is required and if so, the amount and form of bidders security.
- b) Notice Inviting Bids: The initiating department shall also prepare a notice inviting bids that includes the following:
1. A general description of the item to be purchased.
 2. A statement indicating where bid forms, specifications and bonding requirements can be obtained.
 3. A statement specifying the time and place for the opening of the bid.

Section II – GENERAL SUPPLIES, MATERIALS AND EQUIPMENT

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.1 Formal Bidding (continued)

- b) Notice Inviting Bids (continued)
4. Per California Public Contract Code Section 20164, the first publication or posting of the notice shall be at least ten days before the date of opening the bids. The notice shall be published at least twice, not less than five days apart, in a newspaper of general circulation, printed and published in the City or if there is none, it shall be posted in at least three public places in the City that have been designated by ordinance as the places for posting public notices. The notice shall distinctly state the project to be done. The notice may also be sent to all applicable vendors.
- c) Bid Opening
1. Sealed bids shall be submitted to the City Clerk's office and shall be clearly identified with the Bid number on the envelope. Faxed or other electronic bids are not acceptable.
 2. Bids shall be opened in public at the time and place stated in the public notice.
 3. The City Clerk or his/her designee shall open the bids and shall record all bids received.
 4. Any bid received after the time specified in the notice shall be rejected.
 5. When a bidder's security is required, it will be announced in the public notice inviting bids. The amount shall be determined at the time of preparation of the bid. It shall be in the form of cash, certified or cashier's check, certificate of deposit in City of Atascadero's name, or bid bond made payable to the City of Atascadero. When a bidder's security is required, a bid shall not be considered unless one of the aforementioned forms of security accompanies the bid. Bidders shall be entitled to return of the bid security with the following exception:
 - The successful bidder must execute the contract and file acceptable documents within thirty (30) calendar days from the date of award unless extended by the City Manager. Failure to execute the contract shall be just cause for annulment of the award and forfeiture of the bidder's security, not as a penalty, but as liquidated damages. The City Council may, upon refusal or failure of the successful bidder to execute the contract, award the contract to the next lowest responsible bidder.
 6. All bids received shall be available for inspection during regular business hours in the City Clerk's office for a period of not less than thirty (30) calendar days after the bid opening.
- d) Rejection of Bids: The City reserves the right to reject any and all bids, to accept or reject any one or more items of a bid, or to waive any irregularities or informalities in the bids or the bidding process if to do so is deemed to best serve the interests of the City.

Section II – GENERAL SUPPLIES, MATERIALS AND EQUIPMENT

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.1 Formal Bidding (continued)

- e) Determining Lowest Responsible Bidder: Award of bid shall be to the lowest responsible bidder. All valid responsive bids shall be considered in determining the lowest bid. The City reserves the right to accept that bid which is in the best interest of the City. When selecting the recommended bidder the Department Head will take into consideration:
 - 1. Price.
 - 2. Ability, capacity, and skill.
 - 3. Ability to meet time requirements.
 - 4. Character, integrity, and reputation.
 - 5. Previous vendor experience.
 - 6. Financial resources available for contract performance.
 - 7. Ability to provide future maintenance and service, if necessary.
- f) Local Vendor Preference: The City has established a policy that provides for a five percent (5%) preference to local bidders and vendors. (See Section I – General Policies). This is accomplished by reducing the local vendors' bids by 5% when comparing such bids to those of other bidders.
- g) Tie Bids: If tie bids are received, quality and service being equal, the contract shall be awarded to a local bidder.

If the above condition is not applicable, the City may, at its discretion:

- 1. Reject any and all bids presented and re-advertise; or
 - 2. If the public interest will not permit the delay of re-advertising for bids, the City may accept either one or accept the lowest bid made by negotiation with the tie bidders; or
 - 3. Award the bid to any one of the low tie bidders by public drawing.
- h) Exceptions to Formal Bidding: The formal bid process may be bypassed in the following four instances:
 - 1. In emergency situations where time is of the essence, the appropriate Department Head may dispense with obtaining formal quotes to obtain materials necessary in dealing with the emergency. Immediately following the emergency, the appropriate Department Head shall prepare a report to Council explaining the emergency and the items purchased.
 - 2. When one known supplier is available, the Department Head shall prepare a report for Council approval requesting an exemption from the formal bidding procedures and if applicable awarding the bid to the "sole source."
 - 3. When there exists other governmental contracts that were competitively bid (such as State Contracts, DGS, etc.) that the City is eligible to use in lieu of a formal bid.

Section II – GENERAL SUPPLIES, MATERIALS AND EQUIPMENT

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.1 Formal Bidding (continued)

h) Exceptions to Formal Bidding (continued)

4. When there are extenuating circumstances that would make formal bidding not the most cost effective approach. This often relates to qualitative, artistic or proprietary software/technological issues. The appropriate Department Head shall prepare a report to Council requesting an exemption from the formal bidding procedures.

3.2 Awarding the Bid

Once the bids have been evaluated, the Department Head shall prepare a report to Council recommending the most responsible bidder. The Council shall then award the bid in a public meeting.

Except for urgencies all contracts exceeding \$100,000.00 must be awarded by the City Council. Otherwise:

- Such purchases are void and not considered an obligation of the City.
- Invoices may be returned to the contractor/service provider unpaid.
- The person ordering the unauthorized purchase may be held personally liable for the costs of the contract.

3.3 Purchase Order

- a) A purchase order shall also be prepared detailing the vendor's name, address, the item being purchased, and the estimated total price including tax and shipping of the item being purchased and budget account to be charged. The purchase order shall be signed and dated by the Department Head.
- b) The entire purchase order shall be submitted to the City Manager or the Director of Administrative Services for approval and should include a copy of the Staff Report. He/she will review the purchase order package for conformity to the purchasing policy, for compliance with other established procedures and for availability of funds. The City Manager or the Director of Administrative Services shall then approve and sign the purchase order. The original P.O. shall then be forwarded to the originating Department.

3.4 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original material/supply purchase that result in less than a 25% aggregate change in contract price. Change orders in excess of 25% shall be brought to the City Council for approval.

Section III

PROPRIETARY EQUIPMENT AND GOODS

PURPOSE

Provide guidelines for the purchase of equipment/software and other artistic goods that may only be purchased through a proprietary vendor. There is no bidding requirement for this type of purchase, since the item is being purchased based on qualification, rather than price.

Proprietary vendors are those vendors that directly sell their products and do not use distributors or other outlets. (i.e. ~~Inforum-Eden~~ software may only be purchased through ~~Eden-Systems~~ Tyler Technologies, therefore it would be a “proprietary purchase” and covered under this section. ~~Microsoft Word may be purchased at many different stores and therefore not a “proprietary purchase”~~)

POLICIES

There are three levels of authority for normal purchases: Department/Division Award, City Manager Award, and City Council Award. Generally, authority is established by the dollar amount of the purchase.

1.0 DEPARTMENT/DIVISION AWARD < \$30,000.01

The Department/Division manager may authorize the purchase of proprietary goods as needed up to \$30,000.

These purchases do not require competitive bidding and departments are given considerable discretion in these purchases.

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00

Proprietary purchases over \$30,000 and under \$100,000.01 must be awarded by the City Manager or the Director of Administrative Services. These purchases shall have sufficient documentation of background analysis to support the purchase. Informal solicitation of qualifications should be used to assure quality goods are received for a reasonable price.

SECTION III – PROPRIETARY EQUIPMENT AND GOODS**2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00 (continued)**

2.1 Informal Product Review

The Department shall make every attempt to review at least three products/qualifications in writing, over the phone, or in person.

- a) Documentation- Informal product review must be documented to the satisfaction of the City Manager or the Director of Administrative Services. Ideally, documentation should include:
 1. The name of the company
 2. Pros/Cons of the product
 3. Estimated Price
 4. The person giving the quote
 5. The date and time of the phone call
 6. Brief justification for the selection of the goods
- b) Review of Three Products: The Department should make every reasonable attempt to review at least three products; however it is understood that at times it is not practical or possible to review the products. In the event that three products are not reviewed, the Department shall document why it is not practical to review alternate products.
- c) Exception: The informal product review process may be bypassed with Department Head and City Manager or the Director of Administrative Services approval in the following instance:
 1. In emergency situations where time is of the essence, the appropriate Department Head may dispense with informal product review process to obtain items necessary in dealing with the emergency. Immediately following the emergency, the Department Head shall forward a copy of the purchase order and contract along with an explanation to the City Manager or the Director of Administrative Services.
- d) Evaluating Products: The Department Head or designee(s) shall select the product which, in their evaluation process, is the best solution for the City.
- e) Negotiation: The Department Head or designee(s) shall discuss with the highest ranked vendor the requirements of the City and negotiate a reasonable fee for the product/items being purchased.

SECTION III – PROPRIETARY EQUIPMENT AND GOODS

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00 (continued)

2.2 Contract and Purchase Order

- a) A contract shall be prepared and two original copies shall be signed by the consultant and the Department Head.
- b) A purchase order shall also be prepared detailing the vendor's name, address, the item being purchased, and the estimated total price including tax and shipping of the item being purchased and budget account to be charged. The purchase order shall be signed and dated by the authorized Department Head.
- c) The entire purchase order and both original copies of the contract shall be submitted to the City Manager or the Director of Administrative Services for approval and should include a copy of the informal bid summary. He/she will review the contract and purchase order package for conformity to the purchasing policy, for compliance with other established procedures and for availability of funds. The City Manager or the Director of Administrative Services shall then approve and sign the purchase order. The original P.O. and one original copy of the executed contract shall then be forwarded to the originating Department.

2.3 Executing the Contract

Once the Department has received the approved Purchase Order and an original copy of the contract from the City Manager or the Director of Administrative Services, they may make arrangements with the vendor for purchase of the product.

2.4 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original purchase of proprietary equipment and goods that result in less than a \$100,000 overall contract amount. Change orders in excess of the \$100,000 total contract amount shall be brought to the City Council for approval.

3.0 CITY COUNCIL AWARD > \$100,000.00

Proprietary purchases exceeding \$100,000 must be awarded by the City Council. A more formal evaluation should be used, thereby assuring the City that it has purchased the best product fit for the City. The formal process generally takes more time and expense than informal solicitations and in some instances may actually not be the most cost-effective approach.

SECTION III – PROPRIETARY EQUIPMENT AND GOODS

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.1 Formal Evaluation of Products/Goods:

- a) To ensure maximum exposure and competition, the responsible department shall prepare a list of potential firms from which to solicit quotes. City staff shall make reasonable efforts to ensure that small business firms, located in San Luis Obispo County, are aware of the purchase.
- b) A Selection Committee shall be formed to evaluate the submitted data and determine the products that should receive further consideration. The Committee shall be appointed by the Department Head, subject to the approval of the City Manager or the Director of Administrative Services, and may consist of more than one department.
 1. The Selection Committee may choose to interview all of the responding vendors, only the top few ranking vendors or to not perform interviews.
 2. The Selection Committee may also choose to view demonstrations of all of the products (either at a working site or at the City), only the top few ranking products or to not view demonstrations.
 3. After the interviews, demonstrations and site visits (as applicable), the Selection Committee shall rank the products.

Negotiation: The Department Head or designee(s) shall discuss with the highest ranked vendor the requirements of the City and negotiate a reasonable fee/contract.

Exceptions to Formal Bidding: The formal bid process may be bypassed in the following four instances:

1. In emergency situations where time is of the essence, the appropriate Department Head may dispense with obtaining formal quotes to obtain materials necessary in dealing with the emergency. Immediately following the emergency, the appropriate Department Head shall prepare a report to Council explaining the emergency and the items purchased.
2. When there are extenuating circumstances that would make formal bidding not the most cost effective approach. This often relates to qualitative, artistic or proprietary software/technological issues. The appropriate Department Head shall prepare a report to Council requesting an exemption from the formal bidding procedures.

SECTION III – PROPRIETARY EQUIPMENT AND GOODS

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.2 Awarding the Contract:

The Department Head shall prepare a report to Council recommending the top ranked product. The Council shall then award the purchase in a public meeting.

Except for urgencies all contracts exceeding \$100,000.00 must be awarded by the City Council. Otherwise:

- Such purchases are void and not considered an obligation of the City.
- Invoices may be returned to the contractor/service provider unpaid.
- The person ordering the unauthorized purchase may be held personally liable for the costs of the contract.

3.3 Contract and Purchase Order

- a) A contract may be prepared as applicable and two original copies shall be signed by the vendor.
- b) A purchase order shall also be prepared detailing the vendor's name, address, item being purchased, estimated total price including tax and shipping of the item being purchased and budget account to be charged. The purchase order shall be signed and dated by the Department Head.
- c) The City Attorney shall sign the two original copies of the contract, approving it as to form.
- d) The City Manager or his/her Council designee shall sign the two original copies of the contract, approving it as to form.
- e) The entire purchase order and both copies of the contract shall be submitted to the City Manager or the Director of Administrative Services for approval and should include a copy of the Staff Report. He/she will review the contract and purchase order package for conformity to the purchasing policy, for compliance with other established procedures and for availability of funds. The City Manager or the Director of Administrative Services shall then approve and sign the purchase order.
- f) One copy of the executed contract shall be returned to the contractor/service provider and the other original shall remain in the City Clerk's Office. A copy of the executed contract shall be sent to the initiating department and a copy to the Administrative Services Department.

SECTION III – PROPRIETARY EQUIPMENT AND GOODS

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.4 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original purchase of proprietary equipment and goods that result in less than a 25% aggregate change in contract price. Change orders in excess of 25% shall be brought to the City Council for approval.

Section IV

GENERAL TRADE SERVICES

PURPOSE

Provide guidelines for the purchase of trade contractual services. Trade services shall mean the repair, rental or maintenance of equipment, machinery and other City-owned or operated property. Included within this term are services necessary for the routine operation, repair or maintenance of existing buildings or improvements. **The term does not include services rendered by professionals and other services which are unique in nature and not subject to competition.**

In instances where goods and trade services are purchased together from one contractor/service provider, this section shall only apply if the predominant portion of the purchase is services (i.e. repair of equipment with \$1,000 in labor and \$300 in parts would be covered under this section of the policy. A purchase of equipment for \$1,000 with a \$300 installation fee would be covered under Section II- General Supplies, Materials and Equipment).

POLICIES

There are three levels of authority for normal purchases: Department/Division Award, City Manager Award, and City Council Award. Generally, authority is established by the dollar amount of the purchase.

1.0 DEPARTMENT/DIVISION AWARD < \$30,000.01

The Department/Division manager may authorize the purchase of services as needed up to \$30,000 per project or annually (for ongoing maintenance contracts) as applicable. Projects that would typically be performed by one contractor/service provider may not be split into components in order to avoid purchasing limits.

These purchases do not require competitive bidding and departments are given considerable discretion in these purchases.

The Department/Division will obtain a completed IRS form W-9 from the contractor/service provider prior to awarding the contract. The W-9, shall immediately be forwarded to the Administrative Services department in order to comply with State Reporting Requirements.

SECTION IV – GENERAL TRADE SERVICES

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00

Trade service awards over \$30,000 and under \$100,000.01 must be awarded by the City Manager or the Director of Administrative Services. Informal bidding should be used to assure the most competitive price is received for an item, while avoiding the additional time and expense involved in formal bidding.

2.1 Informal Quotes:

The Department shall strive to receive three bids in writing or over the phone, whenever possible.

- a) Documentation: Bids received over the phone or in writing must be documented to the satisfaction of the City Manager or the Director of Administrative Services. Ideally, documentation should include the name of the company bidding, the person giving the quote, the date and time of the contact, the amount quoted and any other relevant information.
- b) Exceptions: The informal bid process may be bypassed with Department Head and City Manager or the Director of Administrative Services approval in the following five instances:
 1. In emergency situations where time is of the essence, the appropriate Department Head may dispense with obtaining three informal quotes to obtain services necessary in dealing with the emergency. Immediately following the emergency, the Department Head shall forward a copy of the purchase order along with an explanation to the City Manager or the Director of Administrative Services.
 2. When one known service provider is available, the Department Head shall document that it is a “sole source” purchase.
 3. When there exists other governmental contracts that were competitively bid (such as State Contracts, DGS, etc.) that the City is eligible to use.
 4. When an item has been bid within the last 36 months and the price has not changed.
 5. When it is not practical nor cost effective to continue soliciting quotes until three bids are received, the Department Head at his/her discretion may choose the vendor best suited for the needs of the particular project.
- c) Evaluating Bids: The Department shall evaluate the three informal quotes received and determine the lowest most responsive bid. The City reserves the right to accept that bid which is in the best interest of the City.

SECTION IV – GENERAL TRADE SERVICES

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00 (Continued)

2.1 Informal Quotes (continued)

c) Evaluating Bids (continued):

When selecting the recommended bidder the Department Head will take into consideration:

1. Price.
2. Ability, capacity, and skill.
3. Ability to meet time requirements.
4. Character, integrity, and reputation.
5. Previous contractor/service provider experience.
6. Financial resources available for contract performance.
7. Ability to provide future maintenance and service, if necessary.

2.2 Contract and Purchase Order

- a) A contract shall be prepared and two original copies shall be signed by the contractor/service provider and Department Head.
- b) A purchase order shall also be prepared detailing the contractor/service provider name, address, service being purchased, estimated total price of the service being purchased and budget account to be charged. The purchase order shall be signed and dated by the Department Head.
- c) The Department will obtain a completed IRS form W-9 from the contractor/service provider.
- d) The entire purchase order, the W-9 and both original copies of the contract shall be submitted to the City Manager or the Director of Administrative Services for approval and should include a copy of the informal bid summary. He/she will review the contract and purchase order package for conformity to the purchasing policy, for compliance with other established procedures and for availability of funds. The City Manager or the Director of Administrative Services shall then approve and sign the purchase order. The original P.O. and one original copy of the executed contract shall then be forwarded to the originating Department.

2.3 Executing the Contract

Once the Department has received the approved Purchase Order and an original copy of the contract from the City Manager or the Director of Administrative Services, they may make arrangements with the contractor/service provider for services.

SECTION IV – GENERAL TRADE SERVICES

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00 (Continued)

2.4 Renewals

Contracts for ongoing services may include annual renewal provisions for up to five years, however in no instance may the contract exceed \$100,000.00 in any one year. Cost increases related to such renewals shall not exceed the Consumer Price Index (CPI) adjustments unless approved in advance by the City Manager.

2.5 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original scope of work that result in less than a \$100,000 annual contract amount. Change orders in excess of the \$100,000 contract amount shall be brought to the City Council for approval.

3.0 CITY COUNCIL AWARD > \$100,000.00

Trade service contracts exceeding \$100,000 must be awarded by the City Council. Formal bidding should be used to assure all possible contractor/service providers are given the opportunity to bid on major City contracts, thereby assuring the City that it has received the most competitive price. The formal process generally takes more time and expense than informal bidding and in some instances may actually not be the most cost-effective approach.

3.1 Formal Bidding

The initiating Department shall be responsible for completion of the formal bid process, however the process shall be coordinated with the City Clerk's Office and the Administrative Services Department.

- a) Bid Forms: The initiating department shall prepare a bid form including detail specifications for the services to be purchased. The following format is suggested for competitive bids:
 1. Submission of bids (or proposals) – Include date, time, location and bid number as assigned by the City Clerk. Include a detail list of the information the bid or proposal should contain.
 2. Questions – List the name, address, and telephone number of the person to be contacted concerning questions about the project.
 3. Background - Provide as much background as necessary to give the bidder an understanding of the environment in which the job will be performed and to which the job relates.
 4. Scope of work – Describe in detail the requirement for the job and detail specification

SECTION IV – GENERAL TRADE SERVICES

3.0 CITY COUNCIL AWARD > \$100,000.00 (Continued)

3.1 Formal Bidding (continued)

- a) Bid Forms (continued)
 5. Desired project schedule – Be as specific as possible.
 6. Minimum and desirable qualifications – Be as specific as possible.
 7. Performance Bond- Whether a performance bond is required and if so, the amount and form of bidders security.
 8. Sample Contract- A sample of the contract that is expected to be used should be included in the bid package.
- b) Notice Inviting Bids: The initiating department shall also prepare a notice inviting bids that includes the following:
 1. A general description of the services to be purchased.
 2. A statement indicating where bid forms, specifications and bonding requirements can be obtained.
 3. A statement specifying the time and place for the opening of the bids.
 4. Per California Public Contract Code Section 20164, the first publication or posting of the notice shall be at least ten days before the date of opening the bids. The notice shall be published at least twice, not less than five days apart, in a newspaper of general circulation, printed and published in the City, or if there is none, it shall be posted in at least three public places in the City that have been designated by ordinance as the places for posting public notices. The notice shall distinctly state the project to be done. The notice may also be sent to all applicable contractor/service providers.
- c) Bid Opening
 1. Sealed bids shall be submitted to the City Clerk’s office and shall be clearly identified with the Bid number on the envelope. Faxed or other electronic bids are not acceptable.
 2. Bids shall be opened in public at the time and place stated in the public notice.
 3. The City Clerk or his/her designee shall open the bids and shall record all bids received.
 4. Any bid received after the time specified in the notice shall be rejected.
 5. When a bidder’s security is required, it will be announced in the public notice inviting bids. The amount shall be determined at the time of preparation of the bid. It shall be in the form of cash, certified or cashier’s check, certificate of deposit in the City of Atascadero’s name or bid bond

SECTION IV – GENERAL TRADE SERVICES**3.0 CITY COUNCIL AWARD > \$100,000.00 (Continued)****3.1 Formal Bidding (continued)****c) Bid Opening (continued)**

made payable to the City of Atascadero. When a bidder's security is required, a bid shall not be considered unless one of the aforementioned forms of security accompanies the bid. Bidders shall be entitled to return of the bid security with the following exception:

- The successful bidder must execute the contract and file acceptable documents within thirty (30) calendar days from the date of award unless extended by the City Manager. Failure to execute the contract shall be just cause for annulment of the award and forfeiture of the bidder's security, not as a penalty, but as liquidated damages. The City Council may, upon refusal or failure of the successful bidder to execute the contract, award the contract to the next lowest responsible bidder.
6. All bids received shall be available for inspection during regular business hours in the City Clerk's office for a period of not less than thirty (30) calendar days after the bid opening.
- d) Rejection of Bids: The City reserves the right to reject any and all bids, to accept or reject any one or more items of a bid, or to waive any irregularities or informalities in the bids or the bidding process if to do so is deemed to best serve the interests of the City.
- e) Determining Lowest Responsible Bidder: Award of bid shall be to the lowest responsible bidder. All valid responsive bids shall be considered in determining the lowest bid. The City reserves the right to accept that bid which is in the best interest of the City. When selecting the recommended bidder the City staff will take into consideration:
1. Price.
 2. Ability, capacity, and skill.
 3. Ability to meet time requirements.
 4. Character, integrity, and reputation.
 5. Previous contractor/service provider experience.
 6. Financial resources available for contract performance.
 7. Ability to provide future maintenance and service, if necessary
- f) Local Contractor/Service Provider Preference: The City has established a policy that provides for a five percent (5%) preference to local bidders and contractor/service providers. (See Section I – General Policies). This is accomplished by reducing the local contractor/service providers' bids by 5% when comparing such bids to those of other bidders.

SECTION IV – GENERAL TRADE SERVICES

3.0 CITY COUNCIL AWARD > \$100,000.00 (Continued)

3.1 Formal Bidding (continued)

- g) Tie Bids: If tie bids are received, quality and service being equal, the contract shall be awarded to a local bidder.

If the above condition is not applicable, the City may, at its discretion:

1. Reject any and all bids presented and re-advertise; or
 2. City may accept either one or accept the lowest bid made by negotiation with the tie bidders; or
 3. Award the bid to any one of the low tie bidders by public drawing.
- h) Exceptions to Formal Bidding: The formal bid process may be bypassed in the following four instances:
1. In emergency situations where time is of the essence, the appropriate Department Head may dispense with obtaining formal quotes to obtain services necessary in dealing with the emergency. Immediately following the emergency, the appropriate Department Head shall prepare a report to Council explaining the emergency and the items purchased.
 2. When one known service provider is available, the Department Head shall prepare a report for Council approval requesting an exemption from the formal bidding procedures and if applicable awarding the bid to the “sole source.”
 3. When there exists other governmental contracts that were competitively bid that the City is eligible to use in lieu of a formal bid.
 4. When there are extenuating circumstances that would make formal bidding not the most cost effective approach. This often relates to qualitative, artistic or proprietary software/technological issues. The appropriate Department Head shall prepare a report to Council requesting an exemption from the formal bidding procedures.
- i) Ongoing Professional Services
1. In some instances it is in the best interest of the City to have current ongoing contracts with multiple consultants for the same or very similar services. (i.e. services that can be defined as to scope of work but not as to required events such as contract planning services, public safety investigations, soils testing, contract building inspections services, etc.) These services would best be handled by establishing an eligibility list and by entering into annual ongoing professional service contracts.

SECTION IV – GENERAL TRADE SERVICES

3.0 CITY COUNCIL AWARD > \$100,000.00 (Continued)

3.1 Formal Bidding (continued)

- i) Ongoing Professional Services (continued)
 - 2. The process for selecting firms for annual ongoing professional service contracts shall be generally the same as for other professional services contracts, however multiple firms may be awarded an ongoing contract based on the RFP/RFQ process and may be placed on the eligibility list. Additional firms/individuals may also be awarded contracts and placed on the eligibility list at a later date, using the RFP/RFQ process without impacting contracts currently in place.
 - 3. Council shall award each ongoing contract that is expected to exceed \$100,000.00 at a public meeting.
 - 4. As events occur and need arises, work will be assigned to the consultants on the eligibility list at the sole discretion of the Department Head. The Department Head, however, shall make a reasonable attempt to rotate work between consultants subject to availability and special needs.
- j) Negotiation: The Department Head or designee(s) shall discuss with the highest ranked firm(s) the requirements of the project, the scope of services needed to meet the requirements, and negotiate a reasonable fee/contract for the established work assignment.

3.2 Awarding the Bid

Once the bids have been evaluated, the Department Head shall prepare a report to Council recommending the most responsive bid. The Council may then award the bid in a public meeting.

Except for urgencies all contracts exceeding \$100,000.00 must be awarded by the City Council. Otherwise:

- Such purchases are void and not considered an obligation of the city.
- Invoices may be returned to the contractor/service provider unpaid.
- The person ordering the unauthorized purchase may be held personally liable for the costs of the contract.

3.3 Contract and Purchase Order

- a) A contract shall be prepared and the contractor/service provider shall sign the two original copies.
- b) A purchase order shall also be prepared detailing the contractor/service provider name, address, service being purchased, estimated total price of the service being purchased and budget account to be charged. The purchase order shall be signed and dated by the Department Head.

SECTION IV – GENERAL TRADE SERVICES

3.0 CITY COUNCIL AWARD > \$100,000.00 (Continued)

3.3 Contract and Purchase Order (continued)

- c) The Department will obtain a completed IRS form W-9 from the contractor/service provider.
- d) Proof of insurance in accordance with the contract shall be obtained.
- e) The City Attorney shall sign the two original copies of the contract approving it as to form.
- f) The City Manager or his/her Council designee shall sign the two original copies of the contract approving it as to form.
- g) The entire purchase order, the W-9, proof of insurance and both original copies of the contract shall be submitted to the City Manager or the Director of Administrative Services for approval and signature and should include a copy of the Staff Report.
- h) One original copy of the executed contract shall be returned to the contractor/service provider and the other original shall remain in the City Clerk's Office. A copy of the executed contract shall be sent to the initiating department and a copy to the Administrative Services Department.

3.4 Renewals

Contracts for ongoing services may include annual renewal provisions for up to five years.

3.5 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original scope of work that result in less than a 25% change in annual contract price. Change orders in excess of 25% shall be brought to the City Council for approval.

4.0 UTILITIES AND OTHER SERVICE AGREEMENTS

Items that cannot be purchased under the procedures above or ongoing expenses for utilities or services (such as telephones, services agreements, etc.) do not require a Purchase Order. The bill or invoice should be forwarded to Administrative Services with an authorized signature and account number to be charged.

SECTION V **PROFESSIONAL SERVICES**

PURPOSE

Provide guidelines for the purchase of professional services. Professional services are those activities performed by a **consultant vendor** who possesses a high degree or expertise in a particular profession. This would generally include (but not be limited to) architectural services, accounting/auditing services, environmental services, design services, engineering services, technical services, financial services, legal services, economic services and other administrative services. There is no bidding requirement for this type of service, since the agent is being hired based on his/her qualifications, not the lowest bid. Since local vendors are important to the City's overall economic health, special consideration should be given to local vendors whenever possible. Local vendors should be included when sending out bid packages. When vendor selection is between two qualified firms, the local vendor should have preference.

POLICIES

There are three levels of authority for normal purchases: Department/Division Award, City Manager Award, and City Council Award. Generally, authority is established by the dollar amount of the purchase.

1.0 DEPARTMENT/DIVISION AWARD < \$30,000.01

The Department/Division Head may authorize the purchase of professional services as needed up to \$30,000 per project or annually (for ongoing/recurring contracts) as applicable. Projects which would typically be performed by one **consultant vendor** may not be split into components in order to avoid purchasing limits.

These purchases do not require competitive bidding and departments are given considerable discretion in these purchases.

The Department/Division will obtain a completed IRS form W-9 from the contractor/service provider prior to awarding the contract. The W-9, shall immediately be forwarded to the Administrative Services Department in order to comply with State Reporting Requirements.

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00

Professional service contracts over \$30,000 and under \$100,000.01 must be awarded by the City Manager or the Director of Administrative Services. These professional service agreements shall have sufficient documentation of background analysis to support the

SECTION V – PROFESSIONAL SERVICES**2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00 (continued)**

contract. Informal solicitation of qualifications should be used to assure quality services are received for a reasonable price.

2.1 Informal Solicitation of Qualifications:

The Department shall strive to, whenever possible, solicit at least three qualifications/proposals in writing or over the phone. When it is not practical, nor cost effective to receive three qualifications/proposals in writing or over the phone, the Department Head at his/her discretion, may choose the vendor best suited for the needs of the particular project. It is important that the specifications are accurate and comprehensive, thus it may be beneficial to transmit the specifications and responses in written format even when the proposal is received verbally.

- a) Documentation- Informal quotations must be documented to the satisfaction of the City Manager or the Director of Administrative Services. Ideally, documentation should include
 1. The name of the company
 2. The person giving the quote
 3. The date and time of the phone call/communication
 4. Understanding of the required scope of services.
 5. Specialized experience of the firm and its personnel relative to the required services.
 6. References who can be contacted to verify past record of performance, i.e., completion of a quality product, in a timely manner, and within budget constraints.
 7. The capacity of the firm to perform the subject project within a required timeframe.
 8. Estimated Price
- b) Exceptions: The informal bid process may be bypassed with Department Head and City Manager or the Director of Administrative Services approval in the following instances:
 1. In emergency situations where time is of the essence, the appropriate Department Head may dispense with obtaining three informal quotes to obtain services necessary in dealing with the emergency. Immediately following the emergency, the Department Head shall forward a copy of the purchase order and contract along with an explanation to the City Manager or the Director of Administrative Services.

SECTION V – PROFESSIONAL SERVICES

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00 (continued)

2.1 Informal Solicitation of Qualifications: (continued)

2. When one known service provider is available, the Department Head shall document that it is a “sole source” purchase.
 3. When an item has been bid within the last 36 months and the price has not changed.
 4. When there exists other governmental contracts that were competitively bid (such as State Contracts, DGS, etc.) that the City is eligible to use.
 5. When it is not practical nor cost effective to continue soliciting quotes until three bids are received, the Department Head at his/her discretion may choose the vendor best suited for the needs of the particular project.
- c) Evaluating Bids: The Department Head or designee(s) shall select the ~~consultant~~ vendor which, in their evaluation process, is the most qualified to perform the work. The evaluation and selection process shall be based upon the following considerations:
1. General quality and responsiveness to the request, including but not limited to:
 - Responsiveness to the terms, conditions, and items of performance;
 - Grasp of the problem, work to be performed, and approach to be used.
 2. Organization and personnel making the proposal;
 - Evidence of good organizational and management practices.
 - Qualification of the personnel.
 - Specialized experience of the firm and its personnel relative to the required services.
 - References who can be contacted to verify past record of performance (i.e., completion of a quality product in a timely manner and within budget constraints).
 - Previous ~~consultant~~ vendor experience.
 - The financial condition of the firm.
 - Capacity of the firm to perform the subject project within a required timeframe.
 3. If appropriate, the price, in any of the following formats, may be considered.
 - Total price and price breakdown.
 - Price range.
 - Cost schedule.

SECTION V – PROFESSIONAL SERVICES

2.0 CITY MANAGER AWARD \$30,000.01 to \$100,000.00 (continued)

2.1 Informal Solicitation of Qualifications: (continued)

- d) Ongoing Professional Services: In some instances it is in the best interest of the City to have current ongoing contracts with multiple ~~consultant~~ vendors for the same or very similar services. (i.e. services that can be defined as to scope of work but not as to required events such as contract planning services, public safety investigations, design engineering, soils testing, contract building inspections services, etc.) These services would best be handled by establishing an eligibility list and by entering into ongoing professional service contracts.

The process for selecting firms for ongoing professional service contracts shall be generally the same as for other professional services contracts, however multiple ~~consultant~~ vendors may be awarded an ongoing contract based on the informal process and may be placed on the eligibility list. Additional ~~consultant~~ vendors may also be awarded contracts and placed on the eligibility list at a later date, using the informal process without impacting contracts currently in place.

As events occur and need arises, work will be assigned to the firms/individuals on the eligibility list at the sole discretion of the Department Head.

- e) Negotiation: The Department Head or designee(s) shall discuss with the highest ranked firm(s) the requirements of the project, the scope of services needed to meet the requirements, and negotiate a reasonable fee for the established work assignment.

2.2 Contract and Purchase Order

- a) A contract shall be prepared and two original copies shall be signed by the ~~consultant~~ vendor and the Department Head.
- b) A purchase order shall also be prepared detailing the ~~consultant's~~ vendor's name, address, service being purchased, estimated total price of the service being purchased and budget account to be charged. The purchase order shall be signed and dated by the authorized Department Head.
- c) The Department will obtain a completed IRS form W-9 from the ~~consultant~~ vendor.
- d) The entire purchase order, the W-9 and both original copies of the contract shall be submitted to the City Manager or the Director of Administrative Services for approval and should include a copy of the informal bid summary. He/she will review the contract and purchase order package for conformity to the purchasing policy, for compliance with other established procedures and for availability of funds. The City Manager or the Director of Administrative Services shall then approve and sign the purchase order. The original P.O. and one original copy of the executed contract shall then be forwarded to the originating Department.

SECTION V – PROFESSIONAL SERVICES

2.0 CITY MANAGER AWARD \$30,000.01 TO \$100,000.00 (continued)

2.3 Executing the Contract

Once the Department has received the approved Purchase Order and an original copy of the contract from the City Manager or the Director of Administrative Services, they may make arrangements with the consultant vendor for services.

2.4 Renewals

Contracts for ongoing professional services may include annual renewal provisions for up to five years; however, in no instance may the contract exceed \$100,000.00 in any one year. Cost increases related to such renewals shall not exceed the Consumer Price Index (CPI) adjustments unless approved in advance by the City Manager.

2.5 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original scope of work that result in less than a less than \$100,000 annual contract amount. Change orders in excess of the \$100,000 contract amount shall be brought to the City Council for approval.

3.0 CITY COUNCIL AWARD > \$100,000.00

Professional service contracts exceeding \$100,000 must be awarded by the City Council. A Formal Request for Proposal (RFP) or a Request for Qualifications (RFQ) process should be used, thereby assuring the City that it has engaged the most qualified consultant vendor available for the engagement. The formal process generally takes more time and expense than informal solicitations of qualifications and in some instances may actually not be the most cost-effective approach.

3.1 Formal Request for Proposal or Request for Qualifications:

- a) Developing the RFP or RFQ: Because RFP's and RFQ's ask for a subjective product, they should contain the greatest detail possible, and may include the following:
 1. A precise description of the problem or objective
 2. The services to be performed
 3. The product to be provided

SECTION V – PROFESSIONAL SERVICES**3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)**

3.1 Formal Request for Proposal or Request for Qualifications: (continued)

a) Developing the RFP or RFQ (continued)

4. The anticipated time schedule for:
 - Submittal of RFP/RFQ (date and time)
 - Any pre-proposal conference (date, time and location)
 - Review and evaluation of the proposals
 - Award of the contract
 - Commencement of work on the project
 - Completion date
5. Evaluation factors and the relative importance of each.
6. Expectations or limitations on the part of the City, i.e.
 - The format, form and quantity of any expected reports
 - The extent/nature of assistance/cooperation available from the City
7. Expected content of the RFP/RFQ, including:
 - The overall description of techniques to be used
 - Listing of similar services provided to other clients
 - Listing of available references to contact
 - Description and qualifications of assigned lead and supporting personnel
 - Time and staff expected to be expended
 - Facilities and equipment to be used
 - Portion of contract to be performed by sub-contractors
 - Subcontractors/Subconsultants qualifications
 - Cost, in summary and total, and desired method of payment. The RFP/RFQ for services may, but is not required to, state the amount budgeted for the service.
8. Contractual requirements including, but not limited to:
 - Prohibition against assignment
 - Indemnification
 - Insurance requirements

SECTION V – PROFESSIONAL SERVICES

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.1 Formal Request for Proposal or Request for Qualifications: (continued)

a) Developing the RFP or RFQ (continued)

8. Contract Requirements (continued)

- Bonding requirements
- Warranties
- Compliance with federal, state and City laws, rules and regulations
- Compliance with any grant related regulations
- Sample contract

9. Construction project management service RFP's may require evidence be provided of experience in construction project design review and evaluation, construction mobilization and supervision, bid evaluation, project scheduling, cost-benefit analysis, claims review and negotiation, and general management and administration of a construction project.

b) Issuing the RFP/RFQ

1. To ensure maximum exposure and competition, the responsible department shall prepare a list of potential firms to receive the RFP/RFQ. City staff shall make reasonable efforts to ensure that small business firms, located in San Luis Obispo County, are aware of the RFP/RFQ's issued.
2. If required or desired, the responsible department will submit the RFP/RFQ notice to be advertised in a local newspaper of general circulation. The notice will be published one or more times beginning at least fourteen calendar days prior to the designated closing. Additional advertisements may be placed in a regional newspaper of general circulation; appropriate professional or trade journals; and state or governmental publications designed for public notice.
3. A reasonable length of time between solicitation and closing dates must be allowed to provide potential respondents time for preparation in accordance with the complexity, the size of the project, and the scope of advertising.
4. City staff may conduct conferences to explain the requirements of the project. A sufficient amount of time should be allowed after the RFP/RFQ has been issued to allow potential respondents to become familiar with the project. Any clarification or changes required to the RFP/RFQ, as a result of the conference, shall be added as a written addendum. A summary of the conference shall be provided to all prospective respondents receiving the request.

SECTION V – PROFESSIONAL SERVICES**3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)**

3.1 Formal Request for Proposal or Request for Qualifications: (continued)

b) Issuing the RFP/RFQ (continued)

5. The department shall maintain a list of questions regarding the RFP/RFQ's received and responses.
6. Addenda should be used to make any changes in quantities, descriptions, schedules, or to correct defects or ambiguities in the original RFP/RFQ. Addenda are provided to ensure that all potential respondents are furnished with the same information with which to prepare proposals.

Addenda to the RFP/RFQ shall be identified as such and shall require acknowledgment as such by firms receiving the RFP/RFQ. Addenda shall be sent to all known recipients of the RFP/RFQ within a reasonable time period before the closing date. If the time and date established for the receipt of proposals does not allow sufficient time for consideration and changes, the time and date will be modified by addendum.

c) Proposal Opening:

1. Proposals shall be submitted to the City Clerk's office and shall be clearly identified with the Proposal number on the envelope. Faxed or other electronic proposals are not acceptable.
2. Proposals received by 5:00 p.m. of the designated closing day will be opened on the following workday for preliminary review.
3. Any proposal received after the time specified in the RFP/RFQ shall be returned unopened.
4. To avoid disclosure of the contents of competing RFPs/RFQs, proposals will be opened in the presence of City Clerk or his/her designee and the Department Head or the Director of Administrative Services, requesting the proposals.
5. Respondents may modify or withdraw their proposals prior to the established closing date and time, without penalty. However, any modifications submitted after the established closing date and time will not be accepted. Such modifications will be returned to the respondent, unopened.

SECTION V – PROFESSIONAL SERVICES

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.1 Formal Request for Proposal or Request for Qualifications: (continued)

c) Issuing the RFP/RFQ (continued)

6. The City Clerk's office shall maintain a list of proposals received, including name and address of respondent, the number of modifications received, if any, and any additional information requested. The register will be open to inspection after the award of the contract or the rejection of all proposals.
7. Proposals and modifications shall be shown only to the evaluation committee personnel, the City Clerk or his/her designee, and the Department Head (or the Director of Administrative Services) until a recommendation is made to Council or all proposals have been rejected.

d) Rejection of Proposals: The City reserves the right to reject any and all proposals, to accept or reject any one or more items of a proposal, or to waive any irregularities or informalities in the proposal or the RFP/RFQ process if to do so is deemed to best serve the interests of the City.

e) Evaluation Factors and Method: Because unique services are requested, cost is not considered the primary selection criteria.

1. Evaluation factors may include:

- General quality and responsiveness of the proposal, including but not limited to:
 - Responsiveness to the terms, conditions, and items of performance.
 - Completeness and thoroughness of the proposal.
 - Grasp of the problem, work to be performed, and approach to be used.
- Organization and personnel making the proposal:
 - Evidence of good organizational and management practices.
 - Qualification of the personnel.
 - Specialized experience of the firm and its personnel relative to the required services.
 - References who can be contacted to verify past record of performance, i.e., completion of a quality product, in a timely manner, and within budget constraints.
 - The financial condition of the firm.
 - Capacity of the firm to perform the subject project within a required time frame.

SECTION V – PROFESSIONAL SERVICES

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.1 Formal Request for Proposal or Request for Qualifications: (continued)

e) Evaluation Factors and Method (continued)

1. Evaluation factors may include: (continued)
 - If appropriate, the price, in any of the following formats, may be considered.
 - Total price and price breakdown.
 - Price range.
 - Cost schedule.
2. A Selection Committee shall be formed to evaluate the submitted data and determine the products that should receive further consideration. The Committee shall be appointed by the Department Head, subject to the approval of the City Manager or the Director of Administrative Services, and may consist of more than one department.
3. The Selection Committee may choose to interview all of the responding consultant vendors, only the top few ranking consultant vendors or to not perform interviews.
4. After the interviews (if applicable), the Selection Committee shall rank the consultant vendors based on their proposals, interviews, and references.

f) Exceptions to Formal RFP/RFQ: The formal RFP/RFQ process may be bypassed in the following three instances:

1. In emergency situations where time is of the essence, the appropriate Department Head may dispense with the formal RFP/RFQ process to obtain services necessary in dealing with the emergency. Immediately following the emergency, the appropriate Department Head shall prepare a report to Council explaining the emergency and the items purchased.
2. When one known service provider is available, the Department Head shall prepare a report for Council approval requesting an exemption from the formal RFP/RFQ procedures and if applicable awarding the bid to the “sole source”.
3. When there are extenuating circumstances that would make the formal RFP/RFQ process not the most cost effective approach. This often relates to qualitative, artistic or proprietary software/technological issues. The appropriate Department Head shall prepare a report to Council requesting an exemption from the formal bidding procedures.

SECTION V – PROFESSIONAL SERVICES

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.1 Formal Request for Proposal or Request for Qualifications: (continued)

g) Ongoing Professional Services

1. In some instances it is in the best interest of the City to have current ongoing contracts with multiple consultant vendors for the same or very similar services. (i.e. services that can be defined as to scope of work but not as to required events such as contract planning services, public safety investigations, soils testing, contract building inspections services, etc.) These services would best be handled by establishing an eligibility list and by entering into annual ongoing professional service contracts.
2. The process for selecting firms for annual ongoing professional service contracts shall be generally the same as for other professional services contracts, however multiple firms may be awarded an ongoing contract based on the RFP/RFQ process and may be placed on the eligibility list. Additional firms/individuals may also be awarded contracts and placed on the eligibility list at a later date, using the RFP/RFQ process without impacting contracts currently in place.
3. Council shall award each ongoing contract that is expected to exceed \$100,000.00 at a public meeting.
4. As events occur and need arises, work will be assigned to the consultant vendors on the eligibility list at the sole discretion of the Department Head. The Department Head, however, shall make a reasonable attempt to rotate work between consultant vendors subject to availability and special needs.

- h) Negotiation: The Department Head or designee(s) shall discuss with the highest ranked firm(s) the requirements of the project, the scope of services needed to meet the requirements, and negotiate a reasonable fee/contract for the established work assignment.

3.2 Awarding the Contract:

The Department Head shall prepare a report to Council recommending the most responsible consultant vendor. The Council shall then award the contract in a public meeting.

SECTION V – PROFESSIONAL SERVICES

3.0 CITY COUNCIL AWARD > \$100,000.00 (continued)

3.2 Awarding the contract (continued)

Except for urgencies all contracts exceeding \$100,000.00 must be awarded by the City Council. Otherwise:

- Such purchases are void and not considered an obligation of the city.
- Invoices may be returned to the contractor/service provider unpaid.
- The person ordering the unauthorized purchase may be held personally liable for the costs of the contract.

3.3 Contract and Purchase Order

- a) A contract shall be prepared and the consultant vendor shall sign the two original copies.
- b) A purchase order shall also be prepared detailing the consultant vendor's name, address, service being purchased, estimated total price of the service being purchased and budget account to be charged. The purchase order shall be signed and dated by the Department Head.
- c) The Department will obtain a completed IRS form W-9 from the consultant vendor.
- d) Proof of insurance in accordance with the contract shall be obtained.
- e) The City Attorney shall sign the two original copies of the contract approving it as to form.
- f) The City Manager or his/her Council designee shall sign the two original copies of the contract approving it as to form.
- g) The entire purchase order, the W-9, proof of insurance and both original copies of the contract shall be submitted to the City Manager or the Director of Administrative Services for approval and signature and should include a copy of the Staff Report.
- h) One original copy of the executed contract shall be returned to the contractor/service provider and the other original shall remain in the City Clerk's Office. A copy of the executed contract shall be sent to the initiating department and a copy to the Administrative Services Department.

3.4 Renewals

Contracts for ongoing services may include annual renewal provisions for up to five years.

3.5 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original scope of work that result in less than a 25% change in annual contract price. Change orders in excess of 25% shall be brought to the City Council for approval.

SECTION VI

PUBLIC PROJECTS

PURPOSE

Provide guidelines for “Public Project” procurement. **Public Project** means construction, reconstruction, erection, alteration, restoration, improvement, demolition, and repair work involving any facility owned, leased, or operated by the City. The definition also includes painting or repainting any facility owned, leased or operated by the City. Construction, erection, improvement, or repair of dams, reservoirs, and electrical transmission lines of 230,000 volts and higher that are owned by the City, are considered a public project.

A public project does not include maintenance work, consisting of routine, recurring, and usual work for the preservation or protection of facilities owned or operated by the City, including minor repainting. Street and highways resurfacing at less than one inch (1”) deep, landscape maintenance (mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems) are not a public project.

POLICIES

It is the City of Atascadero’s policy to follow the uniform Construction Cost Accounting Procedures for all Public Projects, as set forth in the Public Contract Code (Article 2, commencing with Section 22010).

It is also the City of Atascadero’s policy to adopt the purchasing limits and policies as set forth in Public Contract Code Sections 22030 to 22045. (Appendix A)

1.0 DEPARTMENT/DIVISION AWARD < \$30,000.01

The Department/Division manager may contract public projects as needed up to \$30,000 per project or may be performed by the employees of the City by force account. Projects which would typically be performed by one contractor may not be split into components in order to avoid purchasing limits.

These purchases do not require competitive bidding and departments are given considerable discretion in these purchases.

The Department/Division will obtain a completed IRS form W-9 from the contractor prior to awarding the contract. The W-9, shall immediately be forwarded to the Administrative Services Department in order to comply with State Reporting Requirements.

SECTION VI– PUBLIC PROJECTS

2.0 CITY MANAGER AWARD LEVEL I \$30,000.01 TO \$4560,000.00¹

Public Projects contracts over \$30,000 and under \$4560,000.01¹ must be awarded by the City Manager or the Director of Administrative Services. The Department Head may recommend a contractor without using the informal bid process, however a purchase order and approval by the City Manager or the Director of Administrative Services is required for these purchases.

The Department Head may also elect to perform the project using employees of the City by force account.

2.1 Contract and Purchase Order

- a) If applicable, a contract shall be prepared and two original copies shall be signed by the contractor and the Department Head.
- b) A purchase order shall also be prepared detailing the contractor/service provider name, address, service being purchased, estimated total price of the service being purchased and budget account to be charged. The purchase order shall be signed and dated by the Department Head.
- c) The Department will obtain a completed IRS form W-9 from the contractor/service provider.
- d) The entire purchase order, the W-9 and both original copies of the contract shall be submitted to the City Manager or the Director of Administrative Services for approval and should include a copy of the informal bid summary. He/she will review the contract and purchase order package for conformity to the purchasing policy, for compliance with other established procedures and for availability of funds. The City Manager or the Director of Administrative Services shall then approve and sign the purchase order. The original P.O. and one original copy of the executed contract shall then be forwarded to the originating Department.

2.2 Executing the Contract

Once the Department has received the approved Purchase Order and an original copy of the contract from the City Manager or the Director of Administrative Services, they may make arrangements with the contractor for services.

¹ This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.

SECTION VI– PUBLIC PROJECTS

2.0 CITY MANAGER AWARD LEVEL I \$30,000.01 to \$4560,000¹ (continued)

2.3 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original scope of work that result in less than a less than \$4560,000 annual contract amount. Change orders may not exceed the \$4560,000 contract amount.

3.0 CITY MANAGER AWARD LEVEL II \$4560,000.01¹ to \$175200,000.00¹

Public Projects contracts over \$4560,000.00¹ and under \$175200,000.01¹ may be let to contract by the informal bid process set forth in this policy.

3.1 Informal Bids:

The City shall solicit informal bids in accordance with Public Contract Code Sections 22034-22036. If all bids received are in excess of \$200,000, the City Council may, by adoption of a resolution by a four-fifths vote, award the contract, at \$212,500 or less, to the lowest responsible bidder, if it determines the cost estimate of the public agency was reasonable. (See Appendix A)

3.2 Contract and Purchase Order

- a) A contract shall be prepared and two original copies shall be signed by the contractor and Department Head.
- b) A purchase order shall also be prepared detailing the contractor/service provider name, address, service being purchased, estimated total price of the service being purchased and budget account to be charged. The purchase order shall be signed and dated by the Department Head.
- c) The Department will obtain a completed IRS form W-9 from the contractor/service provider.
- d) The entire purchase order, the W-9 and both original copies of the contract shall be submitted to the City Manager or the Director of Administrative Services for approval. He/she will review the contract and purchase order package for conformity to the purchasing policy, for compliance with other established procedures and for availability of funds. The City Manager or the Director of Administrative Services shall then approve and sign the purchase order. The original P.O. and one original copy of the executed contract shall then be forwarded to the originating Department.

¹ This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.

SECTION VI– PUBLIC PROJECTS

3.0 CITY MANAGER AWARD LEVEL II \$4560,000.01¹ to \$175200,000.00¹ **(continued)**

3.3 Executing the Contract

Once the Department has received the approved Purchase Order and an original copy of the contract from the City Manager or the Director of Administrative Services, they may make arrangements with the contractor for services.

3.4 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original scope of work that result in less than a less than a 25% aggregate change in the contract price, not to exceed the \$175200,000 contract limit. Change orders in excess of the 25% aggregate or the \$175200,000 contract limit shall be brought to the City Council for approval.

3.5 Emergencies

a) In cases of emergency when repair or replacements are necessary, the governing body may proceed at once to replace or repair any public facility without adopting plans, specifications, strain sheets, or working details, or giving notice for bids to let contracts. The work may be done by day labor under the direction of the governing body, by contractor, or by a combination of the two.

a)b) In case of an emergency, if notice for bids to let contracts will not be given, the public agency shall comply with California Public Contract Code Chapter 2.5 (commencing with Section 22050).

4.0 CITY COUNCIL AWARD > \$175200,000.00¹

Public Projects exceeding \$175200,000¹ must be formally bid and awarded by the City Council in accordance with Public Contract Code Sections 22037 to 22044.

4.1 Formal Bidding

The City shall solicit formal bids in accordance with Public Contract Code Sections 22037-22044. (See Appendix A)

The initiating Department shall be responsible for completion of the formal bid process, however the process shall be coordinated with the City Clerk's Office and the Administrative Services Department.

¹ This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.

SECTION VI– PUBLIC PROJECTS

4.0 CITY COUNCIL AWARD > \$200,000.00¹ (continued)**4.1 Formal Bidding (continued)**

- a) Bid Forms: The initiating department shall prepare a bid form including detail specifications for the services to be purchased. The following format is suggested for competitive bids:
1. Submission of bids (or proposals) – Include date, time, location and bid number as assigned by the City Clerk. Include a detail list of the information the bid or proposal should contain
 2. Questions – List the name, address, and telephone number of the person to be contacted concerning questions about the project.

~~**4.0 CITY COUNCIL AWARD > \$175,000.00² (continued)**~~~~**4.1 Formal Bidding (continued)**~~~~a) Bid Forms: (continued)~~

3. Background - Provide as much background as necessary to give the bidder an understanding of the environment in which the job will be performed and to which the job relates.
 4. Scope of work – Describe in detail the requirement for the job and detail specification.
 5. Desired project schedule – Be as specific as possible.
 6. Minimum and desirable qualifications – Be as specific as possible.
 7. Performance Bond- Whether a performance bond is required and if so, the amount and form of bidders security.
 8. Sample Contract- A sample of the contract that is expected to be used should be included in the bid package.
- b) Notice Inviting Bids: The initiating department shall also prepare a notice inviting bids that includes the following:
1. A general description of the services to be purchased.
 2. A statement indicating where bid forms, specifications and bonding requirements can be obtained.
 3. A statement specifying the time and place for the opening of the bids.

¹ ~~This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.~~

² ~~This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.~~

SECTION VI– PUBLIC PROJECTS

4. The notice shall be published at least fourteen calendar days before the date of the opening of bids in a newspaper of general circulation, printed and published in the City, or as indicated in Public Contract Code Section 22037. (It is recommended that it be published twice, not less than five days apart.)
5. The notice shall also be mailed to all construction trade journals specified in Section 22036 of the Public Contract Code. The notices shall be mailed at least ~~thirty-fifteen~~ (30)15 calendar days before the date of opening the bids.

4.0 CITY COUNCIL AWARD > \$200,000.00¹ (continued)

4.1 Formal Bidding (continued)

c) Bid Opening

1. Sealed bids shall be submitted to the City Clerk’s office and shall be clearly identified with the Bid number on the envelope. Faxed or other electronic bids are not acceptable.
2. Bids shall be opened in public at the time and place stated in the public notice.
3. The City Clerk or his/her designee shall open the bids and shall record all bids received.

~~4.0 CITY COUNCIL AWARD > \$175,000.00² (continued)~~

~~4.1 Formal Bidding (continued)~~

~~e) Bid Opening (continued)~~

4. Any bid received after the time specified in the notice shall be rejected.
5. When a bidder’s security is required, it will be announced in the public notice inviting bids. The amount shall be determined at the time of preparation of the bid. It shall be in the form of cash, certified or cashier’s check, certificate of deposit in the City of Atascadero’s name or bid bond made payable to the City of Atascadero. When a bidder’s security is required, a bid shall not be considered unless one of the aforementioned forms of security accompanies the bid. Bidders shall be entitled to return of the bid security with the following exception:

¹ This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.

² ~~This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.~~

SECTION VI– PUBLIC PROJECTS

- The successful bidder must execute the contract and file acceptable documents within thirty (30) calendar days from the date of award unless extended by the City Manager. Failure to execute the contract shall be just cause for annulment of the award and forfeiture of the bidder’s security, not as a penalty, but as liquidated damages. The City Council may, upon refusal or failure of the successful bidder to execute the contract, award the contract to the next lowest bidder.
- 6. All bids received shall be available for inspection during regular business hours in the City Clerk’s office for a period of not less than thirty (30) calendar days after the bid opening.
- d) Rejection of Bids: The City reserves the right to reject any and all bids, to accept or reject any one or more items of a bid, or to waive any irregularities or informalities in the bids or the bidding process if to do so is deemed to best serve the interests of the City. If after the first invitation of bids all bids are rejected, the City may elect to re-advertise for bids or have the project done by force account. (See Section 22038 of the Public Contract Code for Procedures and limitations)

~~E)~~ 4.0 CITY COUNCIL AWARD > \$200,000.00¹ (continued)

4.1 Formal Bidding (continued)

- e) Determining Lowest Responsible Bidder: Award of bid shall be to the lowest responsible bidder who has submitted a responsive bid. All valid responsive bids shall be considered in determining the lowest bid. Before the award, the bidder may be required to furnish evidence of capability, equipment and financial resources to adequately perform the work. Bidders not found to be qualified may have their bid rejected.
- ~~e)~~

¹ This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.

SECTION VI- PUBLIC PROJECTS

~~4.0 CITY COUNCIL AWARD > \$175,000.00¹ (continued)~~~~4.1 FORMAL BIDDING (CONTINUED)~~

- f) Tie Bids: If tie bids are received, quality and service being equal, the contract shall be awarded to a local bidder.

If the above condition is not applicable, the City may, at its discretion:

1. Reject any and all bids presented and re-advertise; or
2. City may accept either one or accept the lowest bid made by negotiation with the tie bidders; or
3. Award the bid to any one of the low tie bidders by public drawing.

4.2 Awarding the Bid

Once the bids have been evaluated, the Department Head shall prepare a report to Council recommending the lowest responsive bid by a responsible bidder. The Council shall then award the bid in a public meeting.

All public project contracts exceeding \$~~175~~200,000.00¹ must be awarded by the City Council. Otherwise:

1. Such purchases are void and not considered an obligation of the City.
2. Invoices may be returned to the contractor/service provider unpaid.
3. The person ordering the unauthorized purchase may be held personally liable for the costs of the contract.

4.3 Contract and Purchase Order

- a) A contract shall be prepared and two original copies shall be signed by the contractor.
- b) A purchase order shall also be prepared detailing the contractor name, service being purchased, estimated total price of the service being purchased and budget account to be charged. The purchase order shall be signed and dated by the Department Head.
- c) The Department will obtain a completed IRS form W-9 from the contractor/service provider.

~~4.0 CITY COUNCIL AWARD > \$200,000.00² (continued)~~~~4.3 Contract and Purchase Order (continued)~~

~~¹ This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.~~

~~² This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.~~

SECTION VI– PUBLIC PROJECTS

- d) Proof of insurance in accordance with the contract shall be obtained
- e) Performance and payment bonds shall be obtained. (Bonds must be in a form accepted by the City and must meet all City requirements.)

~~4.0 CITY COUNCIL AWARD —> \$175,000.00[†] (continued)~~

~~4.3 Contract and Purchase Order (continued)~~

- f) The City Attorney shall sign the two original copies of the contract approving it as to form.
- g) The City Manager or his/her Council designee shall sign the two original copies.
- h) The entire purchase order, the W-9, proof of insurance, copies of the bonds, and both original copies of the contract shall be submitted to the City Manager or the Director of Administrative Services for approval and signature and should include a copy of the Staff Report.
- i) One original copy of the executed contract shall be returned to the contractor and the other original shall remain in the City Clerk’s Office. A copy of the executed contract shall be sent to the initiating department and a copy to the Administrative Services Department.

4.4 Change Orders

The City Manager is authorized to issue change orders for changes or additions to the original scope of work that result in less than a 25% aggregate change in contract price. Change orders in excess of 25% shall be brought to the City Council for approval.

~~[†]This limit is tied to Public Contract Code Sections 22032-22034. Any changes to limits set in Public Contract Code Section hereby are adopted as part of this policy.~~

SECTION VII

DESIGN-BUILD PROCUREMENT

PURPOSE

Design-build is a project delivery method whereby the City contracts with a single design-build entity for both design and construction services. Design-build contracts are awarded by a competitive process that allows selection based on the lowest responsible bidder or “best value”. Best value allows the City to consider other factors in addition to price, such as a bidder’s experience and performance on prior projects.

California Public Contract Code Section 22160, et seq., permits general law cities to utilize the design-build method for delivery of projects costing in excess of one-million dollars (\$1,000,000). Eligible projects include construction of a building, or buildings and improvements directly related to the construction of a building or buildings, park and recreational facilities, wastewater, solid waste and water recycling facilities, and accessibility-related construction projects. Projects *not* eligible for design-build include the construction of other kinds of infrastructure such as streets and highways, public rail transit, or water resources facilities and infrastructure. (See Sections 22161 - 22162.4 for certain other eligible types of projects.) The City is *not* authorized to enter into any design-build-operate contract for any project.

There are several advantages to design-build. It can potentially:

- Speed delivery. Design-build offers the potential for faster project delivery. With this method, the project, sometimes including construction, can begin before the project’s final plans and specifications are complete. This reduces lead times, accelerates the project schedule and reduces overall project costs.
- Eliminate redundancies and associated costs. Design-build eliminates design effort redundancies, which typically exist between the design professional and construction contractor. Because the construction contractor is involved in the design process from inception, they can provide helpful insights for construction materials and methods that can make the design more efficient and less expensive.
- Simplify communication. The City needs to deal with only a single point of responsibility, i.e., the design-build entity. Because the design-build entity assumes the major administrative functions of overseeing the project, much like a construction manager on a design-bid-build project, the City can assign fewer staff to manage the contract and the relationship with the construction contractor.
- Reduce risk. Design-build reduces the project risk for the City by shifting the liability and risk for cost containment and project completion to the design-build entity. Because the design-build entity is the guarantor of the completeness and accuracy of both the design

SECTION VII DESIGN-BUILD PROCUREMENT

professional's and construction contractor's work, the City can avoid dealing with conflicts and disputes between the construction contractor and design professional.

- Cost containment. Because of the inherent flexibility of design-build, and depending on the nature of the project, it is possible to begin with a maximum budget within which competing design-build entities must operate. This approach works well when there are few or no unknown conditions to address, and the overall project design has been established early on.

On the other hand, design-build can also have some disadvantages, including:

- Loss of control. The City may give up some control when it enters into a design-build contract, especially when the project details have not been fully defined. When using design-build, the City transfers many responsibilities to the design-build entity, which means there are potentially fewer checks and balances than in the traditional design-bid-build system.
- Potential cost increases. There may be increased administrative costs caused by the development and use of agreements that are unfamiliar to city staff, as well as by the required labor compliance program.
- Higher overall project cost. Use of design-build does not always guarantee a lower project cost for the same quality as would be provided by design-bid-build project delivery. That is because, depending on whether a maximum project price, or only construction price, is agreed upon, design-build entities are often compelled to build in cost to address project contingencies and unexpected expenses incurred after agreement on the maximum price.

1.0 DESIGN-BUILD PROCUREMENT PROCESS

1.1 Procurement

Prior to procuring a design-build public works contract, the City shall complete one of the following processes:

- a. Project scope, description and estimated cost. Prior to commencing a design-build public works project, the City shall prepare a set of documents setting forth the scope and estimated price of the project. The documents may include, but need not be limited to, the size, type, and desired design character of the project, performance specifications covering the quality of materials, equipment, workmanship, preliminary plans or building layouts, or any other information deemed necessary to describe adequately the City's needs. The performance specifications and any plans shall be prepared by a design professional who is duly licensed and registered in California. The documents shall not include a design-build-operate contract for any project. The documents, however, may include operations

SECTION VII
DESIGN-BUILD PROCUREMENT

1.0 DESIGN-BUILD PROCUREMENT PROCESS (continued)

1.1 Procurement (continued)

during a training or transition period but shall not include long-term operations for any project.

b. Design-build entity qualification process. The City shall prepare and issue a request for qualifications (RFQ) in order to prequalify or short-list the design-build entities whose proposals shall be evaluated for final selection.

1.2 Request for Qualifications

The request for qualifications shall include, but need not be limited to the following submittals and qualification criteria:

a. Identification of the basic scope and needs of the project or contract, the expected cost range, the methodology that will be used by the City to evaluate proposals, whether the contract will be awarded on the basis of low bid or best value, and any other information deemed necessary by the City to inform interested parties of the contracting opportunity.

b. Possession of all required current and valid licenses, registrations, and credentials required to design and construct the project, including any and all information related to any revocation or suspension of any license, credential or registration.

c. Submission of evidence that the members of the design-build team have completed, or demonstrated the experience, competency, capability, and capacity to complete projects of similar size, scope, or complexity, and that proposed key personnel have sufficient experience and training to competently manage and complete the design and construction of the project, and a financial statement that ensures that the design-build entity has the capacity to complete the project.

d. Submission of a proposed project management plan establishing that the design-build entity has the experience, competence and capacity needed to effectively complete the project.

e. Submission of evidence establishing the design-build entity has the capacity to obtain all required payment and performance bonding, liability insurance, and errors and omissions insurance.

f. Whether any performance bond issued to any member of the design-build entity in connection with a public works project has been utilized, or the issuing surety thereon been required, to complete the project, within the past five years.

SECTION VII
DESIGN-BUILD PROCUREMENT

1.0 DESIGN-BUILD PROCUREMENT PROCESS (continued)

1.2 Request for Qualifications (continued)

g. Provision of information concerning all of the following occurring within the past five years:

1. Civil actions or criminal prosecutions involving violations of the Occupational Safety and Health Act against any member of the design-build entity.

2. Civil actions or criminal prosecutions involving the Contractors' State License Law against any member of the design-build entity;

3. Civil actions or criminal prosecutions involving any member of the design-build entity of submitting a false or fraudulent claim to a public agency;

4. Civil actions or criminal prosecutions involving the payment of wages, benefits, or personal income tax withholding, or of Federal Insurance Contributions Act (FICA) withholding requirements, state disability insurance withholding, or unemployment insurance payment requirements against any member of the design-build entity. For purposes of this section, only violations by a design-build entity member as an employer shall be deemed applicable, unless it is shown that the design-build entity member, in his or her capacity as an employer, had knowledge of a subcontractor's or employee's violations or failed to comply with the conditions set forth in Section 1775(b) of the State Labor Code;

5. Civil actions or criminal prosecutions involving any design-build entity member for violations of any equal opportunity employment, contracting or subcontracting law;

6. Any construction or design defect claim or litigation involving more than \$50,000 in alleged damages, pending, settled, or resulting in a judgement against any member of the design-build entity;

7. Any debarment, disqualification or removal of any design-build entity member from a federal, state, or local government public works project.

h. Provision of a true and correct statement that the design-build entity will comply with all applicable laws, statues, orders, and regulations applicable to the project. The statement shall state that reasonable diligence has been used in its preparation and that it is true and complete to the best of the signer's knowledge.

i. If the design-build entity is a privately held corporation, limited liability company, partnership, or joint venture, a listing of all the shareholders, partners, or members known at the time of statement of qualification submission who will perform work on the project.

SECTION VII
DESIGN-BUILD PROCUREMENT

1.0 DESIGN-BUILD PROCUREMENT PROCESS (continued)

1.2 Request for Qualifications (continued)

j. Information concerning the design-build entity's workers' compensation experience history and a worker safety program.

k. Provision of evidence establishing an acceptable safety record. A design-build entity's safety record shall be deemed acceptable if its experience modification rate for the most recent three-year period is an average of 1.00 or less, and its average total recordable injury or illness rate and average lost work rate for the most recent three-year period does not exceed the applicable statistical standards for its business category or if the design-build entity is a party to an alternative dispute resolution system as provided for in Section 3201.5 of the Labor Code.

l. The design-build entity agrees that they and their subcontractors at every tier will use a skilled and trained workforce to perform all work on the project or contract that falls within an apprenticeable occupation in the building and construction trades, in accordance with Public Contract Code Section 2600. The foregoing shall not apply if the City has entered into a project labor agreement in accordance with Public Contract Code Section 22164(c)(2). No design-build entity will be deemed qualified absent the foregoing agreement.

m. If awarded the contract, the design-build entity agrees to defend the City, its elected and appointed officials, officers, employees, agents and volunteers from any and all claims and liabilities arising out of the acts and omissions of the design-build entity, its principals, employees, contractors, subcontractors and/or agents in the performance of the design-build agreement; provided that, with respect to design professional services, such liability and costs of defense shall not exceed their proportion of fault; and further provided the defense and indemnification obligations shall not apply to claims arising out of the City's sole negligence or willful misconduct.

n. The information and submittals required by this Section 1.2 a. through 1.2 m. above, shall be certified by declaration signed by the design-build entity and its general partners, corporate officers, or joint venture members, as true and correct under penalty of perjury under the laws of the State of California.

o. The City will assign scores, or other objective thresholds and criteria will be applied, to the information and submittals required in Section 1.2 a. through 1.2 n. above, to determine which design-build entities meet the City's minimum qualifications so as to be deemed qualified to participate in the RFP process.

p. Pursuant to Public Contract Code Section 22164(b)(4)(B), information that is not a "public record" under the California Public Records Act, that is contained in statements of qualifications, are not open to public inspection.

SECTION VII
DESIGN-BUILD PROCUREMENT

2.0 REQUEST FOR PROPOSALS

2.1 Request for Proposals

Based on the documents prepared and information provided as described in Section 1.0 above, the City shall prepare a request for proposals (RFP) that invites prequalified or short-listed design-build entities to submit competitive sealed proposals, as required below. For projects to be awarded based on “best value”, the City will proceed using a design-build competition based on performance specifications and criteria set forth below.

a. The following minimum factors shall be considered and weighted by the City as deemed appropriate: price, unless cost has been agreed upon; technical design and construction expertise; and life-cycle costs over 15 or more years. Additional factors to be considered and weighted as appropriate by the City may include: proposed design approach; project features; overall project quality; past performance; business standing; ability to meet the City’s schedule; and operational and functional performance of the project. However, any criteria and methods used to evaluate proposals shall be limited to those contained in the RFP.

b. Any architectural firms, engineering firms, specialty consultants, or individuals retained by the City to assist in the preparation of the RFP shall not be eligible to participate in the competition with any design-build entity.

c. The City shall make an award, if any, to the design-build entity whose proposal is judged as providing best value meeting the interests of the City and meeting the objectives of the project.

d. If the City terminates an agreement with the selected design-build entity for cause, the City is not obligated to utilize the same design-build entity for any work remaining to be performed on the project. The City is authorized to utilize any information obtained or documentation prepared during the design and pre-construction phase in any manner desired by the City, including use in separate and subsequent design-build or public works solicitation processes.

e. The City may request proposal revisions and hold discussions and negotiations with one or more of the highest ranked proposers, as may be described in the RFP. The City may require a best and final offer from any proposer.

f. Once submitted, proposals become the property of the City and public records subject to disclosure. However, no proposal will be disclosed in response to a Public Records Act request unless and until: all proposals are rejected, the RFP process is terminated, a written recommendation of a design-build entity has been made to the City Council, or a contract is awarded. Proposers should not submit confidential information in a proposal. Notices of “trade secrets”, “do not disclose”, or any similar kind of notice in a proposal will be disregarded.

SECTION VII DESIGN-BUILD PROCUREMENT

2.0 REQUEST FOR PROPOSALS (continued)

2.1 Request for Proposals (continued)

When the evaluation is complete, the responsive proposers shall be ranked based on a determination of value provided, provided that no more than three proposers are required to be ranked.

For those projects utilizing low bid as the final selection method, the competitive bidding process shall result in lump-sum bids by the prequalified or short-listed design-build entities, and awards shall be made to the design-build entity that is the lowest responsible bidder.

Notwithstanding any other provision of the Public Contract Code, upon issuance of a contract award, the City shall publicly announce its award, identifying the design-build entity to which the award is made, along with a statement regarding the basis of the award. The statement regarding the City's contract award, and the contract file shall provide sufficient information to satisfy an external audit.

3.0 RESERVATION OF RIGHTS

The City has no obligation to select a design-build entity or award a contract pursuant to any design-build procurement process. The City is authorized to reject any and all proposals at any time, terminate the RFP process, and/or waive any irregularities in any proposal or the RFP process, if the City determines doing so would be in the best interest of the City. The City is not responsible or liable for any costs incurred by any proposer in the preparation or submission of a proposal, or any other costs incurred by any proposer during the selection process.

4.0 SUBCONTRACTORS

4.1 Subcontractor Listing

The City recognizes that the design-build entity is charged with performing both design and construction. Because a design-build contract may be awarded prior to the completion of the design, it is often impractical for the design-build entity to list all subcontractors at the time of the award.

4.2 Subcontractor Requirements

All of the following requirements shall apply when subcontractors, licensed by the State are employed on design-build projects undertaken by the City:

- a. The design-build entity in each design-build proposal may specify the construction trades or types of subcontractors that may be named as members of the design-build entity at the time of award. In selecting the trades that may be identified as members of

SECTION VII
DESIGN-BUILD PROCUREMENT

4.0 SUBCONTRACTORS (continued)

4.2 Subcontractor Requirements (continued)

the design-build entity, the design-build entity shall identify the trades deemed essential in the design considerations of the project. All subcontractors that are listed at the time of award shall be afforded the protection of Public Contract Code Section 4100, et seq. (Subletting and Subcontracting Fair Practices Act).

b. All subcontracts that were not listed by the design-build entity at the time of award in accordance with subsection (4.2)(a) of this section shall be performed and awarded by the design-build entity in accordance with a bidding process set forth in the design-build agreement.

c. In a contract between the design-build entity and a subcontractor, and in a contract and any subcontractor thereunder, the percentage of the retention proceeds withheld may not exceed the percentage specified in the contract between the City and the design-build entity. If the design-build entity provides written notice to any subcontractor who is not a member of the design-build entity, prior to or at the time that the bid is requested, that a bond may be required and the subcontractor subsequently is unable or refuses to furnish a bond to the design-build entity, then the design-build entity may withhold retention proceeds in excess of the percentage specified in the contract between the City and the design-build entity from any payment made by the design-build entity to the subcontractor.

5.0 RETENTION

A retention of 5% shall be withheld from each progress payment made to the design-build entity. All undisputed amounts withheld shall be released no less than 45 days following filing of a notice of completion.

6.0 BONDS

A performance bond and payment bond, each not less than 100% of the total project cost and issued by a California admitted surety, shall be submitted by the design-build entity with their proposal, or if total project cost is to be determined, then at the time of agreement on such cost.

SECTION VII
DESIGN-BUILD PROCUREMENT

**7.0 ORGANIZATIONAL CONFLICT OF INTEREST POLICY FOR
DESIGN-BUILD PROJECTS**

Contractors and consultants participating as proposers on a design-build project or joining a design-build team (“Proposers”) may not participate in any City design-build project if they have any organizational conflict of interest.

7.1 Organizational Conflicts of Interest

Organizational conflicts of interest are circumstances arising out of a consultant’s or contractor’s existing or past activities, business or financial interest, familiar relationships, contractual relations, and/or organizational structure (e.g., parent entities, subsidiaries, affiliates) that result in (i) impairment or potential impairment of a consultant’s or contractor’s ability to render impartial assistance or advice to the City or of its objectively in performing work for the City, (ii) an unfair competitive advantage for any bidder or proposer with respect to a City procurement, or (iii) a perception or appearance of impropriety with respect to any of the City’s procurements or contracts or a perception or appearance of unfair competitive advantage with respect to a procurement by the City (regardless of whether any such perception is accurate).

7.2 Instances of Organizational Conflicts

An organizational conflict of interest exists in the following instances:

- a. A Proposer is the City’s general engineering or architectural consultant to the design-build project, except that a sub-consultant to the general engineering or architectural consultant that has not yet performed work on the contract to provide services for the design-build project may participate as a proposer or join a design-build team if it terminates the agreement to provide work and provides no work for the City’s general engineering or architectural consultant on the design-build project.
- b. A Proposer has assisted or is assisting the City in the management of the design-build project, including the preparation of the request of proposal, evaluation criteria, or any other aspect of the procurement.
- c. A Proposer has conducted preliminary design services for the design-build project such as preparation of conceptual layouts, preliminary design, or preparation of bridging documents.
- d. A Proposer performed design work related to the design-build project for other stakeholders in the design-build project.
- e. A Proposer performed design work on a previous contract that specifically excludes it from participating as a Proposer or joining a design-build team for the design-build project.
- f. A Proposer is under contract with any other entity or stakeholder to perform oversight of the design-build project.

SECTION VII
DESIGN-BUILD PROCUREMENT

**7.0 ORGANIZATIONAL CONFLICT OF INTEREST POLICY FOR
DESIGN-BUILD PROJECTS (continued)**

7.2 Instances of Organizational Conflicts (continued)

g. Any circumstances that would violate California Government Code Section 1090, et seq. or any provision of the California Political Reform Act of 1974, as amended, Government Code Section 81000, and the Regulations thereunder.

h. Where the City determines that other potential conflicts-of-interest not mentioned above exist for the firm or individual (e.g., employee changing companies, merger/acquisitions of firms, property ownership, business arrangements, financial interest) that cannot be mitigated to avoid the conflict.

7.3 Required Disclosures

Proposers shall disclose all relevant facts relating to past, present or planned interest(s) of the Proposer's team (including the Proposer, Proposer's proposed consultants, contractors, subconsultants and/or subcontractors and their respective chief executives, directors and key personnel) which may result or could be viewed as an organizational conflict-of-interest in connection with the design-build procurement, including present or planned contractual or employment relationships with any current employee of the City. Proposers must make an immediate and full written disclosure to the City and shall have a continuing obligation to do so until they are no longer Proposers.

7.4 Proposer Conflicts of Interest and Potential Mitigation

If a Proposer determines that a conflict of interest or potential conflict of interest exists, it must disclose the conflict or potential conflict of interest to the City. Such disclosure will not necessarily disqualify a Proposer from being awarded a contract. The Proposer shall propose measures to avoid, neutralize, or mitigate all potential or actual conflicts. The City, at its sole discretion, shall determine whether applicable law prevents the Proposer's participation or where the proposed measures are sufficient to overcome the conflict or potential conflict such that the Proposer may continue with the procurement process.

7.5 Proposer Ongoing Obligations

The Proposer to whom a contract is awarded ("Contractor") has an ongoing obligation to monitor and disclose its conflicts or potential conflicts of interest. The City has a right to ongoing enforcement of this Policy. If an organizational conflict of interest is discovered after contract award, the Contractor must make an immediate and full written disclosure to the City that includes a description of the action that the Contractor has taken or proposed to take to avoid or mitigate such conflicts. If an organizational conflict of interest is determined to exist and the Contractor was aware of an organizational conflict of interest prior to award of the contract and did not disclose the conflict, the City may terminate the contract. If a new conflict of interest arises after contract award, and Contractor's proposed measures to avoid or mitigate the conflict are determined by the City to be inadequate to protect the City, or applicable law prohibits continued performance by the Contractor, the City may terminate the contract. If the contract is terminated, the City assumes no obligations, responsibilities and liabilities to reimburse all, or part of the costs incurred or alleged to have been incurred by Contractor and is entitled to pursue any available legal remedies.

SECTION ~~VH~~VIII

TRAVEL AND EXPENSE REIMBURSEMENTS

PURPOSE AND SCOPE

The City of Atascadero's ("City") travel policy prescribes procedures for Officials and Employees to report and be reimbursed for official travel and business expenses. Travel on behalf of the City will be approved when the purpose results in a benefit to the City. The following guidelines and procedures are set forth to minimize costs, improve accountability and ease management review of reimbursement claims.

This policy applies to elected and appointed Officials of the City and all Employees of the City. Department Heads may adopt more restrictive policies due to budget limitations or requirements of other government agencies. Compensation to Employees for travel time shall be consistent with the requirements of the Fair Labor Standards Act.

This policy assumes a mutual trust between the City and its Officials and Employees. The City shall reimburse Officials and Employees for all reasonable costs incurred on behalf of the City. Officials and Employees are expected to use good judgment in spending public funds which have been entrusted to them. All expenses incurred while on City business shall reflect a reasonable and prudent use of public funds and shall be incurred only when essential to the functions of City business. Misuse or misappropriation of City funds and equipment not in conformance with this policy may result in disciplinary action, which for Employees may include termination of employment.

Employees may expect their accommodations, meals and/or transportation to be good quality, comfortable, safe, convenient and reliable when travelling on City business.

DEFINITIONS

OFFICIAL: When used in Section ~~VH~~VIII, an Official shall refer to any individual elected to a City office (e.g., a City Council member, Mayor, or City Treasurer) or any individual appointed to an office by the City Council (e.g., a member of the Planning Commission). For purposes of Section ~~VH~~VIII, an Official is never considered to be an Employee.

EMPLOYEE: When used in Section ~~VH~~VIII, an Employee shall refer to anyone who volunteers on behalf of the City or anyone who holds a paid position with the City. For purposes of Section ~~VH~~VIII, an independent contractor shall not be considered an Employee.

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

POLICIES

1.0 GENERAL PROVISIONS

1.1 Travel shall be authorized only when necessary and in the best interest of the City. The City shall reimburse actual, reasonable and necessary expenses incurred while on City business, not to exceed established guidelines. Expenses incurred in connection with the following types of activities are hereby deemed authorized expenses, as long as the other requirements of this policy are met:

- a. Communicating with representatives of regional, state and national government on the City's adopted policy positions; and
- b. Attending educational seminars designed to improve an Official's or Employee's skill and/or knowledge; and
- c. Participating in regional, state and national organizations whose activities affect the City's interests; and
- d. Implementing a City-approved strategy for attracting or retaining businesses to the City, which shall typically involve at least one staff member; and
- e. For any Employee, any other general City business authorized by that Employee's Department Head.

Expenditures for any other type of activity require prior approval by the City Council for Officials and City Manager for Employees.

1.2 The City shall NOT reimburse personal expenses, including but not limited to:

- a. The personal portion of any trip;
- b. Political or charitable contributions or events;
- c. Family expenses, including a partner's expenses when accompanying an Official or Employee on agency-related business, as well as children- or pet-related expenses;
- d. Entertainment expenses, including theater, movies (either in-room or at the theater), sporting events (including gym, massage and/or golf-related expenses), or other cultural events;
- e. Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline; and
- f. Personal losses incurred while on City business.

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

g. Alcoholic beverages.

1.0 GENERAL PROVISIONS (continued)

- 1.3 City Officials and Employees should neither enrich themselves nor be required to use their own funds while traveling on City business.
- 1.4 The City Manager or ~~his/her~~ their designee must approve all proposed travel out of the San Luis Obispo/ Santa Barbara/~~Monterey~~ County area for City Employees. References in this policy to out-of-area travel shall mean travel outside the San Luis Obispo/Santa Barbara/~~Monterey~~ County area.

1.0 GENERAL PROVISIONS (continued)

- 1.5 Travel and expense funded by the Commission of Peace Officer Standards and Training (POST) shall be subject to restrictions currently in effect from POST. POST shall govern expenditure limitations for meals and lodging, superseding this policy. When preparing reimbursements for POST, a copy of the reimbursement request shall be forwarded to the Administrative Services Department to track the receivable.

1.6 Travel and expenses authorized through Mutual Aid responses are subject to reimbursement rates published annually by the Cal OES Fire and Rescue Division in the Rate Letter under the terms and conditions of the California Fire Assistance Agreement (CFAA).

2.0 AUTHORIZATION FOR TRAVEL AT CITY EXPENSE

2.1 Authorization Levels

- a. Within the San Luis Obispo/~~Santa Barbara~~Santa Barbara/Monterey County Area: Employees must obtain department head approval prior to official travel within San Luis Obispo County/~~Santa Barbara~~Santa Barbara/Monterey area or same day travel outside the area.
- b. Outside the San Luis Obispo County/~~Santa Barbara~~Santa Barbara/Monterey County Area (Within California): Employees must obtain Department Head approval and City Manager or ~~the Director of Administrative Services~~designee approval prior to travel and overnight stay outside the San Luis Obispo/~~Santa Barbara~~Santa Barbara/Monterey County area on City business.
- c. Out of State: Employees must obtain the City Manager's prior written approval for any Official out-of-state travel.

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

2.2 Exceptions

Mutual/Auto Aid travel shall be reported to the City Manager as time permits. Prior approval may not be possible.

2.0 AUTHORIZATION FOR TRAVEL AT CITY EXPENSE (continued)

2.3 Format for Request

The information to be submitted with all requests for out-of-area travel is as follows:

- a. Requests must be submitted in advance of the actual travel.
- b. Department Head or his/her designee shall confirm by means of their authorization that the appropriate budget is available for the travel.
- ~~e.~~ Total cost of the proposed travel shall be itemized, including all costs for registration fees, lodging, meals, transportation, etc.

c.

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

3.0 LODGING

Lodging expenses consist of charges for out-of-area overnight accommodations as required for conduct of official City business. Lodging expenses shall be reimbursed or paid for when travel on official City business reasonably requires an overnight stay.

3.1 ~~Stay Reasonably Required~~

3.1

An overnight stay is reasonably required when one or more of the following conditions are met:

- a. -the travel destination is greater than 150 miles from the traveler's normal City of Atascadero work location;
- b. when the out-of-town meeting or event will take place over the course of more than one day; ~~traveler would otherwise have to leave his or her residence before 6:00 a.m. on the day of the event to arrive at the destination at the designated time. Lodging expense is allowable for the evening after an out-of-town meeting or business event when the traveler would otherwise arrive at his/her residence after 9:00 p.m.~~
- c. if the traveler's presence is required for activities before or after the regular conference hours. Pre- and post-conference lodging must be identified in the travel request, supported by a copy of the conference schedule and approved by the department head and City Manager as otherwise required in this Policy. Regular conference start time is for the actual conference, not registration or optional tours or conference sponsored events unless related to professional development as approved by Department Head;
- d. if travel would otherwise be required prior to 6:00am or after 9:00pm;
- e. if travel otherwise requires a stay as approved in advance by the Department Head and the City Manager or designee.

3.2 Lodging Rates

If possible, Employees and Officials should make hotel/motel reservations well in advance and take other actions to incur the lowest possible lodging expenses (e.g. compare rates, request occupancy tax exemptions, etc.) The accommodations used should be economical, practical, comfortable, safe, and convenient. In general, the traveler should select the most reasonably priced accommodations available consistent with the purpose and goals of the travel.

- a. **Government Rates** Employees and Officials must request government rates when making reservations or registering at hotels/motels. ~~If possible,~~

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

~~Employees and Officials should make hotel/motel reservations well in advance and take other actions to incur the lowest possible lodging expenses (e.g. compare rates, request occupancy tax exemptions).~~ Lodging rates that are equal to or less than government rates are presumed to be reasonable and hence reimbursable for purposes of this policy.

- b. **Group Rates** If such lodging is in connection with a conference, lodging expenses must not exceed the group rate published by the conference sponsor for the meeting in question if such rates are available at the time of booking. If the group rate is not available, see next section.

3.0 LODGING (continued)

3.2 Lodging Rates (continued)

- c. **Alternatives** In the event that government rates or group rates are not available at a given time or in a given area, there are three options available to Employees and Officials.
- i. *Option #1 (Median Hotel Cost):* Lodging rates that do not exceed the median retail price for moderate lodging for that area listed on websites like www.priceline.com or an equivalent service shall be considered reasonable and hence reimbursable.
 - ii. *Option #2 (Flat Cap).* Lodging rates that do not exceed one hundred eighty dollars (\$180) per night are presumed reasonable and hence reimbursable.

~~3.0~~ LODGING (continued)

- iii. *Option #3 (IRS Rates).* Lodging rates that do not exceed the Internal Revenue Service per diem rates for a given area are presumed reasonable and hence reimbursable.

3.3 Special Lodging

With prior City Manager approval, the City may reimburse Employees for special lodging accommodations, i.e., other than hotels or motels. Special accommodations include, but are not limited to, short-term rentals, apartments, RV parks, and other semi-permanent dwellings.

3.4 Use of Lodging as a Guest of Friends or Relatives

SECTION ~~VH~~VIII TRAVEL AND EXPENSE REIMBURSEMENT

Employees and Officials may stay with friends or relatives while on out-of-town business; however, the City shall not reimburse Employees and Officials for payment to friends or relatives for lodging, meals, or transportation.

3.5 Credit Card Use

Employees and Officials may charge all lodging costs on City credit cards but must reimburse the City for unauthorized expenses upon return. Employees and Officials that use their personal funds to pay for travel in advance can be reimbursed for authorized expenses upon their return with a completion of the Travel Reimbursement Request Form.

4.0 MEALS

Allowable meal expenses include food and non-alcoholic beverages purchased and consumed while on official City business, provided these items are not ~~covered by other expenses otherwise paid for by the City, i.e., such as through~~ conference fees, airline fares, lodging, etc. AB1234 prohibits per diem reimbursements for Officials, therefore the per diem method of reimbursements is for City Employees only.

4.1 Rate of Reimbursement

~~Officials may be reimbursed for eligible meal expenses, while~~ Employees may either receive a per diem or be reimbursed for eligible meal expenses up to the current Per Diem Rates per US General Services Administration per-meal guideline for the area of travel.

- a. Per Diem Method: A per diem ~~of \$51.00~~ amount equal to the current Per Diem Rates per US General Services Administration per-meal guideline for the area of travel shall be paid to Employees for meals associated with each day of travel. No receipts are required from Employees claiming the Per Diem method. At the time of this Policy adoption, those rates in San Luis Obispo County for each meal are as follows:

1.	Breakfast	\$40 <u>17.00</u>
2.	Lunch	\$15 <u>18.00</u>
3.	Dinner	\$26 <u>34.00</u>

This policy structure is based on Federally published amounts to qualify it as an accountable plan under IRS rules such that no portion of meal reimbursements are treated as taxable wage to the employee.

- ~~b.~~ Reimbursement Method: Officials may only be reimbursed for eligible meal expenses and may not claim per diem rates. Each meal, ~~including~~ inclusive of gratuity, shall be reimbursed to Official or Employee up to the ~~Domestic~~ Per Diem Rates per US

**SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT**

General Services Administration per-meal guideline for the area of travel and must be accounted for separately on a reimbursement claim and accompanied by itemized receipts. Under special

~~e.a. 4.0 MEALS (continued)~~

circumstances, the City Manager may approve individual meal expenses (for Employees only) above the guideline with written justification, copies of restaurant bills, and evidence of department head approval. If an individual claims meal expenses for more than one Employee, s/he must list all Employees on the expense reimbursement form.

4.0 MEALS (continued)

4.1 Rate of Reimbursement (continued)

~~b. Normally, m~~ Meals are reimbursable under the following time criteria:

For the first and last day of travel, Employees are eligible for the greater of \$35 per day, or 50% of the Per Diem Rates per US General Services Administration meal guidelines for the area of travel. It is the Department Head or designee's responsibility to ensure travelers are adhering to this Policy. When offered, travelers are expected to take advantage of meals provided by a conference, hotel or host, and the per diem amount associated with those meals should not be claimed. However, if for business reasons or dietary restrictions a traveler cannot take advantage of a provided meal, then the traveler is permitted to claim meal reimbursements as identified above.

MEAL	TRAVEL BEGINS BEFORE	&	TRAVEL ENDS AFTER
Breakfast	7:00 a.m.		8:00 a.m.
Lunch	11:00 a.m.		1:00 p.m.
Dinner	5:00 p.m.		6:00 p.m.

4.2 Meals Purchased on Travels That Do Not Include an Overnight Stay

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

Normally, the City will NOT reimburse employees for meals purchased within the City of Atascadero or surrounding areas, while they are engaged in day-to-day job duties, or engaged in any one-day travel that does not include an overnight stay. However, Department Heads may authorize reimbursement under the following circumstances:

- Attendance at job-related conferences or meetings held in the City or surrounding regions extending over meal times, and the business of the conferences or meetings is pursued during the meals, or
- In special cases, the City Manager may authorize the purchase of meals for employees while within the City in conjunction with City business as appropriate.
- During emergencies declared by authorized government authorities in which City employees must work for more than two hours beyond the normal duty day, or when employees are on call for or responding to emergencies during meal periods.

4.3 Reimbursement of City Officials or Employees for Costs of Meals Purchased for Non-City Personnel

The City may reimburse Officials and Employees for purchasing meals for non-City personnel in any of the following circumstances:

- If authorized by the City Manager.
- ~~For oral board members~~

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

4.0 MEALS (continued)

4.3 Reimbursement of City Officials or Employees for Costs of Meals Purchased for Non-City Personnel (continued)

- For emergency workers responding to City requests for mutual aid under mutual aid agreements or for emergency workers acting on behalf of the City under emergencies declared by authorized government entities.
- For special cases, the Department Head may authorize as appropriate the purchase of meals for non-city personnel in conjunction with City business or in cases where there is benefit to the City by purchasing such meal.

5.0 TRANSPORTATION

Transportation expenses are the direct costs of transporting Employees from authorized points of departure, to travel destinations and authorized points of return. These expenses normally include, but are not limited to, common carrier tickets, private vehicle mileage, and car rental charges.

Other transportation expenses include taxi, bus, shuttles, ride shares, and streetcar fares; road, bridge, and ferry tolls; parking fees; and other costs directly related to transporting Employees to and from temporary work or travel locations.

Transportation expenses not covered include: personal travel, traffic and parking violations and emergency repairs on private vehicles.

~~NOTE: City gas cards and Cal Cards should not be used for fuel purchases on personal vehicles.~~

5.1 Mode of Transportation

When traveling on City business, Officials and Employees should use the least expensive modes of transportation consistent with time requirements and work schedules. The City shall reimburse travelers for the most cost-effective transportation means, considering both direct costs and Employee time management.

5.2 Rate of Reimbursement:

Officials and Employees who do not receive monthly auto allowances shall be reimbursed for travel mileage incident to the authorized use of privately-owned vehicles on City business. Reimbursement shall be at the IRS Standard Business -

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

~~Related Mileage Rate (Mileage Rate) at this time of travel, rate currently prescribed and necessary expenses incident to the use of privately owned vehicles, This Mileage Rate~~ includes costs such as insurance, repairs, fuel and other transportation-related costs. The City shall not reimburse individuals for gasoline purchases when they claim the ~~per mile~~ Mileage Rate

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

5.0 TRANSPORTATION (continued)

reimbursement rate for private vehicles. This amount does not include bridge and road tolls which are also reimbursable.

NOTE: City gas cards and Cal-Cards shall not be used for fuel purchases on personal vehicles.

5.0 TRANSPORTATION (continued)

5.3 Commercial Auto Rental

The City shall reimburse Officials and Employees for actual and necessary costs of rental when substantiated by invoice. Rental of an automobile should be limited to those situations where it is determined that it the most economical method of transportation or with Department Head approval, in those situations where it would create a hardship for the Employee to use a personal vehicle. The size of an auto rented shall be the least expensive size appropriate to the use required by the Employee. ~~Rentals shall be made through the City's contract with Enterprise Rental Car enterprise.com<http://enterprise.com>, unless otherwise approved in advance by the City Manager or designee. Rental rates that are equal or less than those available through the State of California's website (www.catravelmart.com/default.htm) shall be considered the most economical and reasonable for the purpose of reimbursement under this policy. If possible, †Travelers should shall refuel rental vehicles before returning them to rental agencies.~~ Employees may use City credit cards to pay for rental vehicles.

5.4 Air Travel.

~~Air travel should not be used for travel in which ground transportation is 4 hours or less. When an Employee claims commercial airline expenses, the cost shall be limited to the least expensive class available non-refundable economy class ticket that allows for carryon luggage and seat assignment, unless prior approval for upgrade was obtained from of the City Manager or designee for upgrade. Travelers shall attempt to use the lowest airline rates available. Airfares that are equal or less than those available through the Enhanced Local Government Airfare Program offered through the League of California Cities (www.cacities.org/travel), the California State Association of Counties (www.esac.counties.org/default.asp?id=635) and the State of California are presumed to be the most economical and reasonable for purposes of reimbursement under this policy. Reservations should be made as far in advance as possible to take advantage of available discounts. Frequent flier mileage and bonus points or premiums, such as discounts on future fares, received, as a result of travel on Official City business shall accrue to the City. Airline or other travel insurance is not reimbursable.~~

SECTION ~~VH~~**VIII** TRAVEL AND EXPENSE REIMBURSEMENT

In certain circumstances on longer flights, in order for the City to receive full value on the compensation being paid to the employee while flying, a “Premium Economy” seating arrangement that allows for sufficient space to use a laptop, that provides an electrical outlet for charging a mobile device, and that provides for adequate space to otherwise work productively while traveling by air, may be authorized. In order to assist staff members to work while traveling by air, the City Manager or designee will consider having the City pay for the additional cost for a Premium Economy seating arrangement and pay for internet access on the plane. Those eligible include members of the City Council and Executive Staff, or other staff if specifically authorized by the City Manager or designee prior to booking. Top qualify for reimbursement, all of the following conditions must be met:

- a. Flight is for city business and exceeds 3 hours in duration
- b. Flight is scheduled during a workday and productive City work will be performed during the flight
- c. The Premium Economy option is approved by the City Manager or designee before travel is booked

5.0 TRANSPORTATION (continued)

5.5 Taxi-Style and Other Local Transportation.

Taxi-style or ride-share transportation is permitted only when suitable and more economical services are not reasonably available or when there may be safety issues related to using other forms of transportation. The City shall reimburse the cost of taxi-style fares including a fifteen percent (15%) gratuity per fare to and from places of business, hotels, airports, or railroad stations in connection with official activities and meals. ~~Taxi-style transportation is permitted only when suitable and more economical services are not reasonably available.~~ Whenever available, Employees must attempt to use complimentary hotel/motel shuttle services.

6.0 BUSINESS EXPENSES

Business expenses are those incidental to official travel other than transportation, lodging, and meals. Receipts shall be required for all business expenses, ~~except as provided in paragraph 7.3.~~

6.1 General

The City shall reimburse Employees for business expenses, provided they do not include the costs of discretionary items intended for personal benefit or pleasure, such as entertainment, or barber and beauty shop charges. Business expenses normally include, but are not limited to, the following:

- Conference registration fees (if not paid by separate claims)

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

- Officials and Employees shall be reimbursed for actual telephone and fax expenses incurred doing City business. Telephone bills should identify which calls were made doing City business. For cellular telephone calls when the Official or Employee has a particular number of minutes included in his or her plan, the Official or Employee can identify the percentage of calls made doing public business. Employees shall be reimbursed for one personal telephone call per day. All other personal telephone calls are the Employee's responsibility. More calls per day may be authorized by the Department Head in special circumstances.
- Reasonable amounts paid to baggage handlers, porters, and other service personnel.

7.0 REIMBURSEMENT CLAIMS

7.1 General

- a.** Officials and Employees must submit expense claims upon return. Officials and Employees should submit approved travel claims (along with supporting vouchers and itemized receipts) within six weeks after completion of travel. All claims must have travelers' signatures and, for Employees, Department or Division Head approval.

7.0 REIMBURSEMENT CLAIMS (continued)

7.1 General

- a-b.** Receipts documenting each expense must be submitted with the appropriate paperwork to accounts payable. Inability to provide documentation in a timely fashion may result in the expense being borne by the Official or the Employee.
- b-c.** There shall be no settlement of claims totaling less than \$~~1~~5.00.
- e-d.** All expenses are subject to verification that they comply with this policy.

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

7.0 — REIMBURSEMENT CLAIMS (continued)

7.2 Claim Forms

Claim forms shall include:

- Consistent with this Policy, the City business involved.
- Dates of travel.
- Travelers' names.
- Travel destinations.
- Expense identification, i.e., seminars, meals, plane fare, etc.
- Dollar amounts of all expenses.
- Personal expenses only if part of City credit card charges. These must be subsequently subtracted from claim totals.
- Additional explanations as needed to substantiate claims.

8.0 REGISTRATION / EXPENSE ADVANCES

8.1 Minimum

City Employees may request advances for reimbursable travel expenses. The minimum advance shall be \$50. City Officials may not receive cash advances from the City. If advances exceed actual expenses, Employees must remit the difference when they file their claims. If a trip is canceled, the advance must be remitted within one week of the cancellation.

8.2 Reservation and Registration

Official and Employees may use City credit cards for reservations and registration. If a reservation shall result in an actual charge to the City, the traveler must request a receipt and submit a claim.

9.0 REPORTS TO GOVERNING BOARDS

At the City Council meeting following the conference or other business for which any reimbursable expenses were incurred by an Official, each Official shall briefly report on meetings or other business attended at the City's expense. If multiple Officials attend, a joint report may be made.

SECTION ~~VH~~VIII
TRAVEL AND EXPENSE REIMBURSEMENT

10.0 RESPONSIBILITY AND ACCOUNTABILITY

10.1 Administration

Each Department Head shall be held responsible and accountable for the administration of this policy within his/her department. Department heads should consult with the Director of Administrative Services and/or City Manager or designee on questions related to this policy. The City Manager or designee shall annually review the practices and reports of the various departments in regard to the administration of this policy.

Each City Official shall be held responsible and accountable for the administration of this policy for his/her own travel. City Officials should consult with the Director of Administrative Services and/or City Manager or designee on questions related to this policy.

10.2 Compliance with Laws

Officials and Employees should keep in mind that some expenditures may be subject to reporting under the Political Reform Act and other laws. All agency expenditures are public records subject to disclosure under the Public Records Act and other laws.

10.3 Violation of This Policy

- a. Loss of reimbursement privileges;
- b. A demand for restitution to the City;
- c. The agency's reporting the expenses as income to the elected Official to state and federal tax authorities;
- d. Civil penalties of up to one thousand dollars (\$1,000) per day and three times the value of the resources used; and
- e. Prosecution for misuse of public resources.

11.0 AUDITS OF EXPENSE REPORTS

All expenses are subject to verification for compliance with this Policy.

**Section ~~VIII~~
PETTY CASH**

PURPOSE

To provide guidelines for the purchase of minor items using petty cash. Petty cash purchases are not designed to circumvent normal purchasing procedures, but are designed to expedite the acquisition of emergency needs and less significant items.

POLICIES

1.0 PURCHASES

- 1.1 Petty cash may be used for purchases up to \$50.00. Any petty cash purchases over \$50.00 shall be approved by the Director of Administrative Services in advance.
- 1.2 A Petty Cash Slip shall be completed and a receipt attached for all petty cash purchases. The Petty Cash Slip must be approved by the appropriate Department/Division manager. It should include the account to be charged and a brief description of the item to be purchased.
- 1.3 An employee may request a petty cash advance for purchases up to \$50.00 or the estimated amount, whichever is less. Prior to receiving the cash, the employee must submit an approved Petty Cash Slip. After the purchase, the receipt and remaining funds shall be returned to the petty cash box, and the Petty Cash Slip shall be adjusted to reflect actual expenditures.

2.0 PETTY CASH BOXES

- 2.1 The Director of Administrative Services is responsible for assigning petty cash boxes.
- 2.2 Proceeds from the petty cash box are for City purposes only. Petty cash is not to be used for cashing personal checks or to be loaned out for personal uses.
- 2.3 Any department with a petty cash box is responsible for reconciling cash to receipts regularly. Any irregularities shall be reported promptly to the Administrative Services Department.

Section IX
DISPOSAL OF ASSETS

PURPOSE

Provide for the proper transfer, disposition, and accountability of surplus and obsolete City property (other than land and buildings).

POLICY

It is necessary to provide for the disposal of surplus and obsolete material or equipment.

1.0 MINOR PROPERTY- ORIGINAL COST < \$500.01

The Department/Division manager may authorize the disposal of surplus supplies, equipment, or tools with an original value of less than \$500.01 and an estimated current value of less than \$25.00. The Department/Division manager is given considerable discretion in disposing of this property.

2.0 OTHER PROPERTY- ORIGINAL COST > \$500.00

When an item with an original cost > \$500.00 is no longer needed, becomes worn out, or becomes obsolete, the Department/Division head will submit an Idle Equipment form to the Director of Administrative Services for authorization.

Once the Director of Administrative Services has given the authority to dispose of the assets, the items may be sold through surplus or other auctions, exchanged or transferred to another City function, traded in for new supplies and/or equipment, or disposed of in another reasonable manner. The Director of Administrative Services is also authorized to dispose of said property for the highest scrap value or cause its destruction or other disposition.

This policy will not apply to real property or unclaimed property held by the Police Department.

SECTION XI
RECOVERED ORGANIC WASTE
PRODUCT PROCUREMENT

PURPOSE

It is the policy of the City, applicable to all departments and divisions, to incorporate environmental considerations including recycled-content and recovered Organic Waste product use into purchasing practices and procurement. This Recovered Organic Waste Product Procurement Policy (Policy) will help the City to:

1. Protect and conserve natural resources, water, and energy;
2. Minimize the City's contribution to climate change, pollution, and solid waste disposal; and,
3. Comply with State requirements as contained in 14 CCR Division 7, Chapter 12, Article 12 (SB 1383 procurement regulations) to procure a specified amount of Recovered Organic Waste Products to support Organic Waste disposal reduction targets and markets for products made from recycled and recovered Organic Waste materials, and to purchase Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper.

DEFINITIONS

- A. “Annual Recovered Organic Waste Product Procurement Target” means the amount of Organic Waste in the form of a Recovered Organic Waste Product that the City is required to procure annually under 14 CCR Section 18993.1. This target shall be calculated by multiplying the per capita procurement target, which shall be 0.08 tons of Organic Waste per California resident per year, times the City's residential population using the most recent annual data reported by the California Department of Finance. Annually, CalRecycle will provide notice to each City of its Annual Recovered Organic Waste Product Procurement Target by posting such information on CalRecycle’s website and providing written notice directly to the Jurisdiction.
- B. “City” means the City of Atascadero, a municipal corporation acting through its City Council, and all the territory lying within the municipal boundaries of the City.
- C. “Compost” means the product resulting from the controlled biological decomposition of organic solid wastes that are source separated from the municipal solid waste stream or which are separated at a centralized facility or as otherwise defined in 14 CCR Section 17896.2(a)(4).

Compost eligible for meeting the Annual Recovered Organic Waste Product Procurement Target must be produced at a compostable material handling operation or facility permitted or authorized under 14 CCR Chapter 3.1 of Division 7 or produced at a large volume in-vessel digestion facility that composts on-site as defined and

SECTION XI

RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

DEFINITIONS (continued)

- permitted under 14 CCR Chapter 3.2 of Division 7. Compost shall meet the State’s composting operations regulatory requirements.
- D. “Direct Service Provider” means a person, company, agency, district, or other entity that provides a service or services to City pursuant to a contract or other written agreement or as otherwise defined in 14 CCR Section 18982(a)(17).
- E. “Electricity Procured from Biomass Conversion” means electricity generated from biomass facilities that convert recovered Organic Waste, such as wood and prunings from the municipal stream, into electricity. Electricity procured from a biomass conversion facility may only count toward the City’s Annual Recovered Organic Waste Product Procurement Target if the facility receives feedstock directly from certain permitted or authorized compostable material handling operations or facilities, transfer/processing operations or facilities, or landfills, as described in 14 CCR Section 18993.1(i).
- F. “Organic Waste” means solid wastes containing material originated from living organisms and their metabolic waste products including, but not limited to, food, yard trimmings, organic textiles and carpets, lumber, wood, Paper Products, Printing And Writing Paper, manure, biosolids, digestate, and sludges, or as otherwise defined in 14 CCR Section 18982(a)(46). Biosolids and digestate are as defined in 14 CCR Section 18982(a)(4) and 14 CCR Section 18982(a)(16.5), respectively.
- G. “Paper Products” include, but are not limited to, paper janitorial supplies, cartons, wrapping, packaging, file folders, hanging files, corrugated boxes, tissue, and toweling; or as otherwise defined in 14 CCR Section 18982(a)(51).
- H. “Printing and Writing Papers” include, but are not limited to, copy, xerographic, watermark, cotton fiber, offset, forms, computer printout paper, white wove envelopes, manila envelopes, book paper, note pads, writing tablets, newsprint, and other uncoated writing papers, posters, index cards, calendars, brochures, reports, magazines, and publications; or as otherwise defined in 14 CCR Section 18982(a)(54).
- I. “Procurement of Recovered Organic Waste Products” shall mean purchase or acquisition (e.g., free delivery or free distribution from a hauler or other entity via a written agreement or contract), and end use by the City or others. The City’s Annual Recovered Organic Waste Product Procurement Target can be fulfilled directly by the City or by Direct Service Providers through written contracts or agreements for Procurement of Recovered Organic Waste Products at the City’s behest.
- J. “Publicly-Owned Treatment Works” or “POTW” has the same meaning as in Section 403.3(r) of Title 40 of the Code of Federal Regulations. For the purposes of this Policy, the POTW shall be the Water Reclamation Facility, 8005 Gabarda Road, Atascadero, California 93422.

SECTION XI RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

DEFINITIONS (continued)

- K. “Recovered Organic Waste Products” means products made from California, landfill-diverted recovered Organic Waste processed at a permitted or otherwise authorized operation or facility, or as otherwise defined in 14 CCR Section 18982(a)(60). Products that can be used to meet the Annual Recovered Organic Waste Product Procurement Target shall include Compost, SB 1383 Eligible Mulch, Renewable Gas from an in-vessel digestion facility, and Electricity Procured from Biomass Conversion as described herein and provided that such products meet requirements of 14 CCR, Division 7, Chapter 12, Article 12.
- L. “Recordkeeping Designee” means the City Department or public employee appointed by the City Manager or their designee to track procurement and maintain records of Recovered Organic Waste Product procurement efforts both by the City and others, if applicable, as required by 14 CCR, Division 7, Chapter 12, Articles 12 and 13. The Recordkeeping Designee will report such records to the Reporting Designee.
- M. “Reporting Designee” means an entity that the City contracts with or otherwise arranges to carry out any of the City’s reporting responsibilities of this policy as authorized in 14 CCR.
- N. “Recyclability” means that the Paper Products and Printing and Writing Paper offered or sold to the City are eligible to be labeled with an unqualified recyclable label as defined in 16 Code of Federal Regulations Section 260.12 (2013).
- O. “Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper” means such products that consist of at least thirty percent (30%), by fiber weight, postconsumer fiber, consistent with the requirements of Sections 22150 to 22154 and Sections 12200 and 12209 of the Public Contract Code, and as amended.
- P. “Renewable Gas” means gas derived from Organic Waste that has been diverted from a landfill and processed at an in-vessel digestion facility that is permitted or otherwise authorized by 14 CCR to recover Organic Waste, or as otherwise defined in 14 CCR Section 18982(a)(62).
- Q. “SB 1383” means Senate Bill 1383 of 2016 approved by the Governor on September 19, 2016, which added Sections 39730.5, 39730.6, 39730.7, and 39730.8 to the Health and Safety Code, and added Chapter 13.1 (commencing with Section 42652) to Part 3 of Division 30 of the Public Resources Code, establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants, as amended, supplemented, superseded, and replaced from time to time.
- R. “SB 1383 Regulations” or “SB 1383 Regulatory” means or refers to, for the purposes of this policy, the Short-Lived Climate Pollutants (SLCP): Organic Waste Reductions regulations developed by CalRecycle and adopted in 2020 that created Chapter 12 of 14 CCR, Division 7 and amended portions of regulations of 14 CCR and 27 CCR.

SECTION XI

RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

DEFINITIONS (continued)

- S. “SB 1383 Eligible Mulch” means mulch eligible to meet the Annual Recovered Organic Waste Product Procurement Target, pursuant to 14 CCR Chapter 12 of Division 7. This SB 1383 Eligible Mulch shall meet the following conditions for the duration of the applicable procurement compliance year, as specified by 14 CCR Section 18993.1(f)(4):
1. Produced at one of the following facilities:
 - i. A compostable material handling operation or facility as defined in 14 CCR Section 17852(a)(12), that is permitted or authorized under 14 CCR Division 7, other than a chipping and grinding operation or facility as defined in 14 CCR Section 17852(a)(10);
 - ii. A transfer/processing facility or transfer/processing operation as defined in 14 CCR Sections 17402(a)(30) and (31), respectively, that is permitted or authorized under 14 CCR Division 7; or,
 - iii. A solid waste landfill as defined in Public Resources Code Section 40195.1 that is permitted under 27 CCR Division 2.
 2. Meet or exceed the physical contamination, maximum metal concentration, and pathogen density standards for land application specified in 14 CCR Sections 17852(a)(24.5)(A)1 through 3.
- T. “State” means the State of California.

POLICIES

1.0 RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

- 1.1 Procurement Target
- A. City will annually procure for use or giveaway a quantity of Recovered Organic Waste Products that meets or exceeds its Annual Recovered Organic Waste Product Procurement Target through the implementation of Sections 1.0 through 3.0 of this Policy.
 - B. To be eligible to meet the Annual Recovered Organic Waste Product Procurement Target, products that may be procured include the following (provided that each product meets the criteria included in their respective definitions in this Policy):
 1. SB 1383 eligible Compost (as defined in Definition Section C).
 2. SB 1383 Eligible Mulch (as defined in Definition Section S).

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RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

3. Renewable Gas (in the form of transportation fuel, electricity, or heat) (as defined in Definition Section P).

1.0 RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT (continued)

1.1 Procurement Target (continued)

4. Electricity Procured from Biomass Conversion (as defined in Definition Section E).

1.2 Requirements for Direct Service Providers

- A. Direct Service Providers of landscaping maintenance, renovation, and construction shall:

1. Use Compost and SB 1383 Eligible Mulch, as practicable, produced from recovered Organic Waste, as defined in Section 2.C and 2.R of this Policy, for all landscaping renovations, construction, or maintenance performed for the City, whenever available, and capable of meeting quality standards and criteria specified. SB 1383 Eligible Mulch used for land application shall comply with 14 CCR, Division 7, Chapter 12, Article 12 and must meet or exceed the physical contamination, maximum metal concentration and pathogen density standards specified in 14 CCR Section 17852(a)(24.5)(A)(1) through (3).
2. If Direct Service Provider is subject to the City's Water Efficient Landscape Ordinance (WELO) pursuant to Atascadero Municipal Code Title 8, Chapter 10, the Direct Service Provider should comply with one of the following, whichever is more stringent: (i) the City's WELO if more stringent than the State's Model Water Efficient Landscape Ordinance (MWELo), or (ii) Sections 492.6 (a)(3)(B), (C), (D), and (G) of the State's MWELo, Title 23, Division 2, Chapter 2.7 of the CCR, as amended September 15, 2015, which requires the submittal of a landscape design plan with a "Soil Preparation, Mulch, and Amendments Section" to include the following:
 - a. For landscape installations, Compost at a rate of a minimum of 4 cubic yards per 1,000 square feet of permeable area shall be incorporated to a depth of six (6) inches into the soil. Soils with greater than six percent (6%) organic matter in the top six (6) inches of soil are exempt from adding Compost and tilling.
 - b. Apply a minimum three- (3-) inch layer of mulch on all exposed soil surfaces of planting areas except in turf areas, creeping or rooting groundcovers, or direct seeding applications where mulch is contraindicated. To provide habitat for beneficial insects and other wildlife, leave up to five percent (5%) of the landscape area

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RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

without mulch. Designated insect habitat must be included in the landscape design plan as such.

1.0 RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT (continued)

1.2 Requirements for Direct Service Providers (continued)

- c. Procure organic mulch materials made from recycled or post-consumer materials rather than inorganic materials or virgin forest products unless the recycled post-consumer organic products are not locally available. Organic mulches are not required where prohibited by local Fuel Modification Plan Guidelines or other applicable local ordinances.
- d. For all mulch that is land applied, procure SB 1383 Eligible Mulch that meets or exceeds the physical contamination, maximum metal concentration, and pathogen density standards for land applications specified in 14 CCR Section 17852(a)(24.5)(A)(1) through (3).
- 3. Keep and provide records of Procurement of Recovered Organic Waste Products (either through purchase or acquisition) to Recordkeeping Designee, upon completion of projects. Information to be provided shall include:
 - a. General description of how and where the product was used and if applicable, applied;
 - b. Source of product, including name, physical location, and contact information for each entity, operation, or facility from whom the Recovered Organic Waste Products were procured;
 - c. Type of product;
 - d. Quantity of each product; and,
 - e. Invoice or other record demonstrating purchase or procurement.
- B. Direct Service Provider of Organic Waste collection services shall:
 - 1. Provide a specified quantity of Compost or SB 1383 Eligible Mulch to City and its customers via periodic “giveaways” as specified in a franchise agreement or other agreement.
 - 2. Keep and provide records to the City including the following:
 - a. Dates provided;

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RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

- b. Source of product including name, physical location and contact information for each entity, operation or facility from whom the Recovered Organic Waste Products were procured;

1.0 RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT (continued)

1.2 Requirements for Direct Service Providers (continued)

- c. Type of product;
- d. Quantity provided; and,
- e. Invoice or other record or documentation demonstrating purchase, procurement, or transfer of material to giveaway location.

C. Renewable Gas procurement by Direct Service Providers

1. Direct Service Providers transporting solid waste, organic materials, and/or recyclable materials shall procure their fuel as Renewable Gas as required to do so in RFPs and RFQs released by the City for such services or as required by permit, license, written agreement, or written contract with the City.
2. Departments releasing RFPs and RFQs for contractors that procure fuel in the course of their services to the City shall include a preference to contractors that propose to use the amount or percentage of Renewable Gas specified in the RFP or RFQ to be eligible for said price preference. Such use, if it occurs, shall be documented in a written contract or agreement.
3. If Renewable Gas made from recovered Organic Waste is used by Direct Service Providers, Direct Service Providers shall submit information listed in Section 1.2.B.2.a-e on a schedule to be determined by City, but not less than annually to the Recordkeeping Designee.
4. Renewable Gas used by Direct Service Providers under Sections 1.2.A and 1.2.B shall comply with criteria specified in 14 CCR Section 18993.1.

1.3 Requirements for City Departments

- A. Compost and SB 1383 Eligible Mulch procurement. Divisions and departments responsible for landscaping maintenance, renovation, or construction shall:
 1. Use Compost and SB 1383 Eligible Mulch produced from recovered Organic Waste, as defined in Definition Section C and S of this Policy, for landscaping maintenance, renovation, or construction, as practicable,

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RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

whenever available, and capable of meeting quality standards and criteria specified. SB 1383 Eligible Mulch used for land application must meet or exceed the physical contamination, maximum metal concentration and pathogen density standards specified in 14 CCR Section 17852(a)(24.5)(A)(1) through (3).

1.0 RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT (continued)

1.3 Requirements for City Departments (continued)

2. When City uses Compost and SB 1383 Eligible Mulch and the applications are subject to the City's WELO, pursuant to Atascadero Municipal Code Title 8, Chapter 10, the City will comply with one of the following, whichever is more stringent, (i) the City's WELO, if more stringent than the State's MWELo, or (ii) Sections 492.6 (a)(3)(B), (C), (D), and (G) of the State's Model Water Efficient Landscape Ordinance, Title 23, Division 2, Chapter 2.7 of the CCR, as amended September 15, 2015, which requires the submittal of a landscape design plan with a "Soil Preparation, Mulch, and Amendments Section" to include the following:
 - a. For landscape installations, Compost at a rate of a minimum of 4 cubic yards per 1,000 square feet of permeable area shall be incorporated to a depth of six (6) inches into the soil. Soils with greater than six percent (6%) organic matter in the top six (6) inches of soil are exempt from adding Compost and tilling.
 - b. Apply a minimum three- (3-) inch layer of mulch on all exposed soil surfaces of planting areas except in turf areas, creeping or rooting groundcovers, or direct seeding applications where mulch is contraindicated. To provide habitat for beneficial insects and other wildlife, leave up to five percent (5%) of the landscape area without mulch. Designated insect habitat must be included in the landscape design plan as such.
 - c. Procure organic mulch materials made from recycled or post-consumer materials rather than inorganic materials or virgin forest products unless the recycled post-consumer organic products are not locally available. Organic mulches are not required where prohibited by local Fuel Modification Plan Guidelines or other applicable local ordinances.
 - d. For all mulch that is land applied, procure SB 1383 Eligible Mulch that meets or exceeds the physical contamination, maximum metal concentration, and pathogen density standards for land applications specified in 14 CCR Section 17852(a)(24.5)(A)(1) through (3).

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RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

1.0 RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT (continued)

1.3 Requirements for City Departments (continued)

3. Keep records, including invoices or proof of Recovered Organic Waste Product procurement (either through purchase or acquisition), and submit records to the Recordkeeping Designee, upon completion of project.

Records shall include:

- a. General procurement records, including:
 - (i) General description of how and where the product was used and applied, if applicable;
 - (ii) Source of product, including name, physical location, and contact information for each entity, operation, or facility from whom the Recovered Organic Waste Products were procured;
 - (iii) Type of product;
 - (iv) Quantity of each product; and,
 - (v) Invoice or other record demonstrating purchase or procurement.
 - b. For Compost and SB 1383 Eligible Mulch provided to residents through giveaway events or other types of distribution methods, keep records of the Compost and SB 1383 Eligible Mulch provided to residents. Records shall be maintained and submitted to the Recordkeeping Designee in accordance with the requirements specified in Section 1.3.A.3.
 - c. For procurement of SB 1383 Eligible Mulch, maintain an updated copy of the ordinance or enforceable mechanism(s) requiring that the mulch procured by the City or Direct Service Provider meets the land application standards specified in 14 CCR Section 18993.1, as it may be amended from time to time.
4. When Procurement of Recovered Organic Waste Products occurs through a Direct Service Provider, enter into a written contract, franchise agreement, or other agreement or execute a purchase order with enforceable provisions that includes: (i) definitions and specifications for SB 1383 Eligible Mulch, Compost, Renewable Gas, and/or Electricity Procured from Biomass Conversion; and, (ii) an enforcement mechanism (e.g., termination,

SECTION XI

RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

liquidated damages) in the event the Direct Service Provider is not compliant with the requirements.

1.0 RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT (continued)

1.3 Requirements for City Departments (continued)

- B. Renewable Gas procurement (used for fuel for transportation, electricity, or heating applications). For Renewable Gas procurement, City shall:
1. Procure Renewable Gas made from recovered Organic Waste for transportation fuel, electricity, and heating applications to the degree that it is appropriate and available for the City and to help meet the Annual Recovered Organic Waste Product Procurement Target, which requires compliance with criteria specified in 14 CCR Section 18993.1.
 2. Keep records in the same manner indicated in Section 1.3.A.3 for the amount of Renewable Gas procured and used by the Jurisdiction, including the general procurement record information specified in Section 1.3.A.3.a, and submit records to the Recordkeeping Designee on a schedule prescribed by the Recordkeeping Designee. City shall additionally obtain the documentation and submit records specified in Section 1.3.B.3 below, if applicable.
 3. If the City procures Renewable Gas from a POTW,
 - a. Annually verify that the Renewable Gas from the POTW complies with the requirements specified in 14 CCR Section 18993.1(h), including, but not limited to the exclusion in 14 CCR Section 17896.6(a)(1) and the items listed in this Section 1.3.B.3.
 - b. Annually receive a record from the POTW documenting the tons of Organic Waste received by the POTW from: (i) a compostable material handling operation or facility as defined in 14 CCR Section 17852(a)(12), other than a chipping and grinding operation or facility as defined in 14 CCR Section 17852(a)(10), that is permitted or authorized under 14 CCR Division 7; (ii) transfer/processing facility or transfer/processing operation as defined in 14 CCR Sections 17402(a)(30) and (31), respectively, that is permitted or authorized under 14 CCR Division 7; or (iii) a solid waste landfill as defined in Public Resources Code Section 40195.1 that is permitted under 27 CCR Division 2.
 - c. Annually receive documentation from the POTW of the percentage of biosolids that the POTW produced and transported to activities that constitute landfill disposal in order to demonstrate that the POTW transported less than twenty-five percent (25%) of the

SECTION XI

RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

biosolids it produced to activities that constitute landfill disposal. For the purposes of this Policy, landfill disposal is defined pursuant to 14 CCR Section 18983.1(a) and includes final disposition at a

1.0 RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT (continued)

1.3 Requirements for City Departments (continued)

landfill; use of material as alternative daily cover or alternative intermediate cover at a landfill, and other dispositions not listed in 14 CCR Section 18983.1(b). Alternative daily cover or alternative intermediate cover are defined in 27 CCR Sections 20690 and 20700, respectively.

- d. Annually receive documentation that the POTW receives vehicle-transported solid waste that is an anaerobically digestible material for the purpose of anaerobic co-digestion with POTW treatment plant wastewater to demonstrate that the POTW meets the requirement of 14 CCR Section 18993.1(h)(2).
- e. City shall submit these records to the Recordkeeping Designee and Reporting Designee on a schedule to be determined by the Reporting Designee.

C. Electricity Procured from Biomass Conversion. For Electricity Procured from Biomass Conversion, City shall:

- 1. Procure electricity from a biomass conversion facility that receives feedstock from a composting facility, transfer/processing facility, a solid waste landfill, and/or receives feedstock from the generator (or employees on behalf of the generator) of the Organic Waste and to the degree that it is available and practicable for the City and to help meet the Annual Recovered Organic Waste Product Procurement Target, which requires compliance with criteria specified in 14 CCR Section 18993.1.
- 2. Maintain records and conduct the following recordkeeping activities:
 - a. Keep records in the same manner indicated in Section 1.3.A.3 of this Policy for the amount of Electricity Procured from Biomass Conversion facilities, including the general procurement record information specified in Section 1.3.A.3.a.
 - b. Receive written notification by an authorized representative of the biomass conversion facility certifying that biomass feedstock was received from a permitted solid waste facility identified in 14 CCR Section 18993.1(i).
 - c. Provide these records to the Recordkeeping Designee.

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RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

2.0 RECYCLED-CONTENT PAPER PROCUREMENT

2.1 Requirements for City Departments

- A. Comparable or more favorable pricing: If fitness and quality of Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper are equal to that of non-recycled items, all departments and divisions of City shall purchase Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper that consists of at least thirty percent (30%), by fiber weight, postconsumer fiber, whenever available at the same or a lesser total cost than non-recycled items, consistent with the requirements of the Public Contracts Code, Sections 22150 through 22154 and Sections 12200 and 12209, as amended.
- B. All Paper Products and Printing and Writing Paper shall be eligible to be labeled with an unqualified recyclable label as defined in Title 16 Code of Federal Regulations Section 260.12 (2013), when available from vendor.
- C. Provide records to the Recordkeeping Designee of all Paper Products and Printing and Writing Paper purchases within thirty (30) days of the purchase (both recycled-content and non-recycled content, if any is purchased) made by a division or department or employee of the City. Records shall include a copy of the invoice or other documentation of purchase, written certifications as required in Section 2.2.A.3-4 for recycled-content purchases if available, vendor name, purchaser name, quantity purchased, date purchased, and recycled content (including products that contain none), and if non-Recycled-Content Paper Products and/or non-Recycled-Content Printing and Writing Paper are provided, include a description of why Recycled-Content Paper Products and/or Recycled-Content Printing and Writing Paper were not provided.

2.2 Requirements for Contracted Vendors

- A. All contracted vendors that provide Paper Products (including janitorial Paper Products) and Printing and Writing Paper to City shall:
 - 1. Provide Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper that consists of at least thirty percent (30%), by fiber weight, postconsumer fiber, if fitness and quality are equal to that of non-recycled item, and if they are available at an equal or lesser price.
 - 2. Only provide Paper Products and Printing and Writing Papers that meet Federal Trade Commission Recyclability standard as defined in Title 16 Code of Federal Regulations Section 260.12 (2013), when available.
 - 3. Certify in writing, under penalty of perjury, the minimum percentage of postconsumer material in the Paper Products and Printing and Writing Paper offered or sold to the Jurisdiction. This certification requirement may be waived if the percentage of postconsumer material in the Paper Products, Printing and Writing Paper, or both can be verified by a product label, catalog, invoice, or a manufacturer or vendor internet website.

SECTION XI

RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

2.0 RECYCLED-CONTENT PAPER PROCUREMENT (continued)

2.2 Requirements for Contracted Vendors (continued)

4. Certify in writing, under penalty of perjury, that the Paper Products and Printing and Writing Paper offered or sold to the City is eligible to be labeled with an unqualified recyclable label as defined in Title 16 Code of Federal Regulations Section 260.12 (2013), when available.
 5. Provide records to the purchasing department, as requested, of all Paper Products and Printing and Writing Paper purchased from the vendor within thirty (30) days of the purchase (both recycled-content and non-recycled content, if any is purchased) made by a division or department or employee of the City. Records shall include a copy of the invoice or other documentation of purchase, written certifications as required in Section 2.2.A.3-4 for recycled-content purchases, purchaser name, quantity purchased, date purchased, and recycled content (including products that contain none), and if non-Recycled-Content Paper Products and/or non- Recycled-Content Printing and Writing Paper are provided, include a description of why Recycled-Content Paper Products and/or Recycled-Content Printing and Writing Paper were not provided.
- B. All vendors providing printing services to the City via a printing contract or written agreement, shall make best efforts to use Printing and Writing Paper that consists of at least thirty percent (30%), by fiber weight, postconsumer fiber, or as amended by Public Contract Code Section 12209.

3.0 RECORDKEEPING RESPONSIBILITIES

- A. A department or public employee, as determined by the City Manager, will be the responsible department or person to act as the Recordkeeping Designee that will be responsible for obtaining records pertaining to Procurement of Recovered Organic Waste Products and Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper, as well as reporting such records to the Reporting Designee.
- B. The Recordkeeping Designee and/or Reporting Designee will do the following to track Procurement of Recovered Organic Waste Products, Recycled-Content Paper Products, and Recycled-Content Printing and Writing Paper:
 1. Collect and collate copies of invoices or receipts (paper or electronic) or other proof of purchase that describe the procurement of Printing and Writing Paper and Paper Products, including the volume and type of all paper purchases; and, copies of certifications and other required verifications from all departments and/or divisions procuring Paper Products and Printing and Writing Paper (whether or not they contain recycled content) and/or from the vendors providing Printing and Writing Paper and Paper Products. These records must be kept as part of City's documentation of its compliance with 14 CCR Section 18993.3.

SECTION XI
RECOVERED ORGANIC WASTE PRODUCT PROCUREMENT

3.0 RECORDKEEPING RESPONSIBILITIES (continued)

2. Collect and collate copies of invoices or receipts or documentation evidencing procurement from all departments and divisions procuring Recovered Organic Waste Products and invoices or similar records from vendors/contractors/others procuring Recovered Organic Waste Products on behalf of the City to develop evidence of City meeting its Annual Recovered Organic Waste Product Procurement Target. These records must be kept as part of the City's documentation of its compliance with 14 CCR Section 18993.1.
3. Collect, collate, and maintain documentation submitted by the City, Direct Service Providers, and/or vendors, including the information reported to the Recordkeeping Designee in accordance with Sections 1.2.A.3, 1.2.B.2, 1.2.C.2, 1.3.A.3, 1.3.B.2, 1.3.C.3, 2.1.C, and 2.2.A.5.
4. Compile an annual report on the City's direct procurement, and vendor/other procurement on behalf of the City, of Recovered Organic Waste Products, Recycled-Content Paper Products, and Recycled-Content Printing and Writing Paper, consistent with the recordkeeping requirements contained in 14 CCR Section 18993.2 for the Annual Recovered Organic Waste Product Procurement Target and 14 CCR Section 18993.4 for Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper procurement. This report shall be made available to the City's responsible entity for compiling the annual report to be submitted to CalRecycle (which will include a description of compliance on many other SB 1383 regulatory requirements) pursuant to 14 CCR Division 7, Chapter 12, Article 13.

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PCC §22030

- (a) This article applies only to a public agency whose governing board has by resolution elected to become subject to the uniform construction cost accounting procedures set forth in Article 2 (commencing with Section 22010) and which has notified the Controller of that election. In the event of a conflict with any other provision of law relative to bidding procedures, this article shall apply to any public agency which has adopted a resolution and so notified the Controller.
- (b) A county, whether general law or charter, containing a population of less than 500,000 may award individual annual contracts as provided in Section 20128.5.

PCC §22031

- (a) Prior to January 1, 2013, this article shall not prohibit a board of supervisors or a county road commissioner from utilizing, as an alternative to the procedures set forth in this article, the procedures set forth in Article 25 (commencing with Section 20390) of Chapter 1.
- (b) On or after January 1, 2013, this article shall not prohibit a board of supervisors or a county road commissioner from utilizing, as an alternative to the procedures set forth in this article, the procedures set forth in Article 25 (commencing with Section 20390) of Chapter 1 for both of the following;
 - (1) Maintenance and emergency work.
 - (2) New road construction and road reconstruction as long as the total value of the new road construction and the road reconstruction performed under the procedures set forth in subdivision (c) of Section 20395 during a fiscal year does not exceed 30 percent of the total value of all work performed by force account other than maintenance as reported in the Controller's Streets and Roads Annual Report as of March 1 of each year prior to the fiscal year.
- (c) The value of force account work necessary to facilitate capital projects for the purpose of contracting to the private sector, including design, engineering, inspection, testing, and other force account work necessary to administer private contracts, shall be excluded from the 30-percent limit in subdivision (b).
- (d) The value of force account work necessary to facilitate projects performed by county employees, including design, engineering, inspection, testing, and other force account work necessary to administer work performed under subdivision (b), shall apply to the 30-percent limit in subdivision (b).
- (e) On or after January 1, 2013, for a county with a population of less than 50,000, this article shall not prohibit a board of supervisors or a county road commissioner from utilizing, as an alternative to the procedures set forth in this article, the procedures set forth in Article 25 (commencing with Section 20390) of Chapter 1.
- (f) The requirements set forth in Section 22038 shall apply to any county subject to this section.
- (g) Any county board of supervisors or county road commissioner acting pursuant to the authority granted in paragraph (2) of subdivision (b) shall publicly declare its

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PCC §22031 (continued)

intention to use this authority prior to commencing work. The public declaration may be on a project-by-project basis, via a list of anticipated projects for the fiscal year, or via list that may be included in the county's annual budget.

PCC §22032

(a) Public projects of ~~forty-fivesixty~~ thousand dollars (\$~~45,60~~,000) or less may be performed by the employees of a public agency by force account, by negotiated contract, or by purchase order.

(b) Public projects of ~~one-two~~ hundred ~~seventy-five~~ thousand dollars (\$~~175200~~,000) or less may be let to contract by informal procedures as set forth in this article.

(c) Public projects of more than ~~one-two~~ hundred ~~seventy-five~~ thousand dollars (\$~~175200~~,000) shall, except as otherwise provided in this article, be let to contract by formal bidding procedure.

PCC §22033

It shall be unlawful to split or separate into smaller work orders or projects any project for the purpose of evading the provisions of this article requiring work to be done by contract after competitive bidding.

PCC §22034

Each public agency that elects to become subject to the uniform construction accounting procedures set forth in Article 2 (commencing with Section 22010) shall enact an informal bidding ordinance to govern the selection of contractors to perform public projects pursuant to subdivision (b) of Section 22032. The ordinance shall include all of the following:

(a) Notice to contractors shall be provided in accordance with either paragraph (1) or (2), or both.

(1) The public agency shall maintain a list of qualified contractors, identified according to categories of work. Minimum criteria for development and maintenance of the contractors list shall be determined by the commission. All contractors on the list for the category of work being bid shall be mailed, faxed, or emailed a notice inviting informal bids unless the product or service is proprietary. All mailing of notices to contractors pursuant to this subdivision shall be completed not less than 10 calendar days before bids are due.

(2) The public agency may elect to mail, fax, or email a notice inviting informal bids to all construction trade journals specific in Section 22036.

(b) The notice inviting informal bids shall describe the project in general terms and how to obtain more detailed information about the project, and state the time and place for the submission of bids.

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(c) The governing body of the public agency may delegate the authority to award informal contracts to the public works director, general manager, purchasing agent, or other appropriate person.

PCC §22034 (continued)

(d) If all bids received are in excess of ~~one-two~~ hundred ~~seventy-five~~ thousand dollars (\$~~175200~~,000), the governing body of the public agency may, by adoption of a resolution by a four-fifths vote, award the contract, at ~~one-two~~ hundred ~~eighty-seven-twelve~~ thousand five hundred dollars (\$~~187212~~,500) or less, to the lowest responsible bidder, if it determines the cost estimate of the public agency was reasonable.

PCC §22035

(a) In cases of emergency when repair or replacements are necessary, the governing body may proceed at once to replace or repair any public facility without adopting plans, specifications, strain sheets, or working details, or giving notice for bids to let contracts. The work may be done by day labor under the direction of the governing body, by contractor, or by a combination of the two.

(b) In case of an emergency, if notice for bids to let contracts will not be given, the public agency shall comply with Chapter 2.5 (commencing with Section 22050).

PCC §22035.5

In counties that are under court order to relieve justice facility overcrowding, the procedures and restrictions specified in Section 20134 shall apply to all contracts issued under this chapter.

PCC §22036

The commission shall determine, on a county-by-county basis, the appropriate construction trade journals which shall receive mailed, faxed, or emailed notice of all informal and formal construction contracts being bid for work within the specified county.

PCC §22037

Notice inviting formal bids shall state the time and place for the receiving and opening of sealed bids and distinctly describe the project. The notice shall be published at least 14 calendar days before the date of opening the bids in a newspaper of general circulation, printed and published in the jurisdiction of the public agency; or, if there is no newspaper printed and published within the jurisdiction of the public agency, in a newspaper of general circulation which is circulated within the jurisdiction of the public agency, or, if there is no newspaper which is circulated within the jurisdiction of the public agency, publication shall be by posting the notice in at least three places within the jurisdiction of the public agency as have been designated by ordinance or regulation of the public

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agency as places for the posting of its notices. The notice inviting formal bids shall also be sent electronically, if available, by either facsimile or electronic mail and mailed to all construction trade journals specified in Section 22036. The notice shall be sent at least

PCC §22037(continued)

15 calendar days before the date of opening the bids. In addition to notice required by this section, the public agency may give such other notice as it deems proper.

PCC §22038

(a) In its discretion, the public agency may reject any bids presented, if the agency, prior to rejecting all bids and declaring that the project can be more economically performed by employees of the agency, furnishes a written notice to an apparent low bidder. The notice shall inform the bidder of the agency's intention to reject the bid and shall be mailed at least two business days prior to the hearing at which the agency intends to reject the bid. If after the first invitation of bids all bids are rejected, after reevaluating its cost estimates of the project, the public agency shall have the option of either of the following:

(1) Abandoning the project or readvertising for bids in the manner described by this article.

(2) By passage of a resolution by a four-fifths vote of its governing body declaring that the project can be performed more economically by the employees of the public agency, may have the project done by force account without further complying with this article.

(b) If a contract is awarded, it shall be awarded to the lowest responsible bidder. If two or more bids are the same and the lowest, the public agency may accept the one it chooses.

(c) If no bids are received through the formal or informal procedure, the project may be performed by the employees of the public agency by force account, or negotiated contract without further complying with this article.

PCC §22039

The governing body of the participating public agency or its designated representative shall adopt plans, specifications, and working details for all public projects exceeding the amount specified in subdivision (c) of Section 22032.

PCC §22040

Any person may examine the plans, specifications, or working details, or all of these, adopted by the public agency for any project.

PCC §22041

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This article does not apply to the construction of any public building used for facilities of juvenile forestry camps or juvenile homes, ranches, or camps established under Article 15 (commencing with Section 880) of Chapter 2 of Part 1 of Division 2 of the Welfare and Institutions Code, if a major portion of the construction work is to be performed by wards of the juvenile court assigned to those camps, ranches, or homes.

PCC §22042

The commission shall review the accounting procedures of any participating public agency where an interested party presents evidence that the work undertaken by the public agency falls within any of the following categories:

- (a) Is to be performed by a public agency after rejection of all bids, claiming work can be done less expensively by the public agency.
- (b) Exceeded the force account limits.
- (c) Has been improperly classified as maintenance.

PCC §22042.5

The commission shall review practices of any participating public agency where an interested party presents evidence that the public agency is not in compliance with Section 22034.

PCC §22043

- (a) In those circumstances as set forth in subdivision (a) of Section 22042, a request for commission review shall be in writing, sent by certified or registered mail received by the commission postmarked not later than eight business days from the date the public agency has rejected all bids.
- (b) In those circumstances set forth in subdivision (b) or (c) of Section 22042, a request for commission review shall be by letter received by the commission not later than eight days from the date an interested party formally complains to the public agency.
- (c) The commission review shall commence immediately and conclude within the following number of days from the receipt of the request for commission review:
 - (1) Forty-five days for a review that falls within subdivision (a) of Section 22042.
 - (2) Ninety days for a review that falls within subdivision (b) or (c) of Section 22042.
- (d) During the review of a project that falls within subdivision (a) of Section 22042, the agency shall not proceed on the project until a final decision is received by the commission.
- (e) A request for commission review pursuant to Section 22042.5 shall be in writing, sent by certified or registered mail, and received by the commission no later than eight days from the day an interested party formally complains to the public agency. The commission review shall commence immediately and conclude within 90 days from the receipt of the request for commission review.

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PCC §22044

The commission shall prepare written findings, which shall be presented to the public agency within 30 calendar days of formal commission review. Should the commission find that the provisions of this chapter or of the uniform cost accounting procedures

PCC §22044 (continued)

provided for in this chapter were not complied with by the public agency, the following steps shall be implemented by that agency:

(a) On those projects set forth in subdivision (a) of Section 22042, the public agency has the option of either:

- (1) abandoning the project, or
- (2) awarding the project to the lowest responsible bidder.

(b) On those projects set forth in subdivision (b) or (c) of Section 22042, the public agency shall present the commission's findings to its governing body within 30 calendar days of receipt of written notice of the findings and that governing body shall conduct a public hearing with regard to the commission's findings within 60 calendar days of receipt of the findings.

(c) (1) On findings of noncompliance pursuant to Section 22042.5, the public agency shall notify its governing body of the commission's findings within 60 calendar days of receipt of written notice of the findings from the commission.

(2) The public agency shall notify the commission in writing, within 90 days of receipt of written notice of the findings, of the public agency's best efforts to comply.

PCC §22044.5

If the commission makes a finding, in accordance with Section 22043, on three separate occasions within a 10-year period, that the work undertaken by a public agency falls within any of the categories described in Section 22042, the commission shall notify the public agency of that finding in writing by certified mail and the public agency shall not use the bidding procedures provided by this article for five years from the date of the commission's findings.

PCC §22045

(a) No later than January 1, 1985, the commission shall recommend, for adoption by the Controller, written procedures implementing the accounting procedures review provided for in this article.

(b) The Controller shall, upon receipt of the commission's recommendation, review and evaluate the recommended procedures and either formally adopt or reject the recommended procedures within 90 days of submission of the commission.



CITY OF ATASCADERO

FINANCE COMMITTEE STAFF REPORT

Item B3

Department: Administrative Services
Date: 9/27/24
Placement: Management

TO: JAMES R. LEWIS, CITY MANAGER
FROM: JERI RANGEL, DIRECTOR OF ADMINISTRATIVE SERVICES
PREPARED BY: JERI RANGEL, DIRECTOR OF ADMINISTRATIVE SERVICES
SUBJECT: Professional Independent Audit Services Contract

RECOMMENDATION:

Committee affirm staff's decision to execute Professional Independent Audit Services Contract with Moss, Levy & Hartzheim LLP for audit services for fiscal years ended June 30, 2024, 2025, and 2026, with two optional one-year term extensions.

DISCUSSION:

Each year, the City undergoes a complete audit of its financial transactions and activities by an outside independent audit firm. Moss, Levy & Hartzheim LLP has been the City's audit firm from 2009-2024. Moss, Levy & Hartzheim LLP has provided thorough and complete auditing services throughout their services contracts. The prior five-year contract with Moss, Levy & Hartzheim LLP has now expired.

The City issued a Request for Proposals (RFP) for Professional Audit Services to 22 different qualified firms on March 18, 2024. Staff received one inquiry from a potential responding audit firm asking the amount of the City's 2023-2024 budget for these audit services. Staff forwarded the response to all 22 firms, letting them know the budget is \$28,850 for fiscal year 2023-2024. The City received only one proposal in response to the RFP and it was from Moss, Levy & Hartzheim LLP.

Given that the City only received one response to the RFP and audit services are necessary, staff entered into a three-year agreement with Moss, Levy & Hartzheim LLP, with two optional one-year terms. The City has negotiated with Moss, Levy & Hartzheim LLP to assign a different audit manager for the new contract period to ensure a fresh perspective on audited activities.

FISCAL IMPACT:

The fiscal impact of the Professional Audit Services Contract is \$27,240 of budgeted General Funds and \$1,600 of budgeted Transit funds in fiscal year 2024-2025. The City budget has not yet

been established for fiscal years 2025-2026 and 2026-2027, however, the contract totals for those years are \$29,590 and \$30,355, respectively.

REVIEWED BY OTHERS:

This item has been reviewed by the Administrative Services Deputy Director.

REVIEWED AND APPROVED FOR FINANCE COMMITTEE AGENDA

A handwritten signature in black ink, appearing to read 'J. Lewis', is positioned above a horizontal line.

James R. Lewis, City Manager