



DATE: November 15, 2021

AGENDA ITEM # 4

TO: Financial Commission
FROM: John Furtado, Finance Director
SUBJECT: City of Los Altos Purchasing Policy update

RECOMMENDATION:

Provide a recommendation to the City Council on approval of the Purchasing Policy update

BACKGROUND

Currently the City Manager is appointed the purchasing officer of the City and grants him/her the authority to purchase or contract for supplies, services and equipment required by the City departments in accordance with purchasing procedures prescribed in the code and other resolutions and administrative rules approved by the City Council.

The City Manager has assigned the responsibility for administering the City's purchasing policies and procedures to individual departments through the Finance Director.

On October 18th, 2021, John Furtado, Finance Director presented the Policy to the Finance Committee. The Committee reviewed the policy and made several recommendations and requested more information be provided on certain items. The Committee decided to review an updated draft at the November meeting.

DISCUSSION

Staff recommends clarification to different authorization levels contained in the Purchasing Policy and updated the Procedure Manual to simplify the purchasing processes and recognize automation of various processes. Over the years the Finance Division has heard increasing frustration from staff in other departments that the existing policy is difficult to understand and follow. Staff updated the policy to clarify the procedures that City employees should follow when making purchases from vendors, including what authorization is needed for a purchase.

The proposed amendment specifically updates the following:

- Adds a section of Ethical Guidelines
- Reflects changes to the new structure of the Finance Department, versus the prior administrative services department.
- Requests and increase of the city managers limit from the current \$75,000 to \$100,000
- Requests the increase in Petty cash payments from \$50 to \$ 100
- Makes corrections to errors and conflicting information between tables and text.
- Adds as sentence (under bidding exceptions) on the ability of City Council or the City Manager to declare an emergency.

- Further additions of eligible expenses to the shared cost section.
- Allowing the City Manager to approve invoices related to legal fees up to the budgeted appropriation limit.
- Added Sections (in Blue) to be in compliance with the procurement requirements under SB1383

The recommendations proposed by the Finance Commission at the October 18th meeting are listed below with the corrected language that is now incorporated in the revised Purchasing policy draft (changes to original text can be seen in **Attachment Item 4a**)

Page 2 Para 4

- The City Attorney or other Attorneys used do not have any financial authority but are responsible for review of items directed to them by the department director, Risk manager or City Manager. These legal reviews could be contracts, Purchase Orders (PO), Blanket Purchase Orders (BPO), Purchasing Contract Agreements (PCA) or Contract Purchase Orders (CPO) or other Professional Services as defined in this document.

Page 4 Para 9

- The physical receiving of tangible goods shall be approved by the authorizing department at the time of delivery. Approval of the receivers' supervisor is required and retention of packing slips mandatory.

Page 7 Para 4

Risk Manager's approval is required at the initiation of the PCA and annually thereafter if the scope or cost of the initial agreement is modified by over 5% in amount.

Page 9 Para 8

The person requesting the purchase is to prepare written correspondence justifying and describing the reason for the sole source purchase and must have the approval of the department director. This documentation must be submitted to the risk manager and Finance along with the requisition for approval.

Page 4 Para 11 – New bullet for preference to Los Altos businesses.

- When no restrictions exist and all things equal, local Los Altos vendors should be preferred.

Page 20 – Glossary additions

Cooperative Purchasing Agreement (CPA): The purchase of goods, materials, or services which is entered into by one or more local government entities. The expected impact is to increase volume and/or competition which will result in greater savings.

Purchase Contract Agreement (PCA): A purchase agreement is a legally binding contract between a buyer and seller. These agreements usually relate to the buying and selling of goods instead of services, and they can cover transactions for just about any type of product.

Sole Source Purchase: One where there is only a single vendor capable of providing an item or service, and therefore it is not possible to obtain competitive bids.

The following recommendations made by the Finance Commission were not incorporated in the revised draft

Page 16 Para 1

Legal Fees – No changes made. City manager will provide feedback to the commission.

Land Purchases

The purchase of land is not a regular and frequent event that would be covered under the intention of a Purchasing policy and is therefore to be addressed on a case-by-case basis, by the City Council. The Finance Commission can request weighing in on any planned land purchases in the future.

Staff recommends that the Financial Commission send a recommendation to the City Council to adopt the revised Purchasing policy with any suggested comments or revisions.