



Legislation Text

File #: POL 19-001, **Version:** 1

Consideration of and action on amending the Financial Management Policy.

Summary: The City's Financial Management Policy was last reviewed and updated on September 25, 2018 as part of the annual review. While the policy is reviewed annually and, if necessary, updated at that time, the policy may also be updated during the year. At this time, the City recommends two updates to the Financial Management Policy as it relates to (1) the use of contingency funds in an emergency situation and (2) purchasing.

Section III. Budgeting and Long Range Financial Planning includes a subsection for an "Amended Budget." The City recommends an update to the Financial Management Policy to address the immediate need to expend funds in an emergency or unforeseen circumstance with funding for such an expenditure from contingency funds, unassigned fund balance, or prior year revenue. City Council action would follow at their next regular meeting.

Typically the City's annual budget includes a contingency line item in the General Fund (Dept. 105- General Government) as a funding source for emergency or unforeseen expenditures that may occur during the fiscal year. For accounting purposes, an expenditure that will be funded by the contingency in Dept. 105 will still be charged to the particular department's budget, not the budget for Department 105. Until the City Council has approved the use of these contingency funds, by way of a budget amendment to cover the emergency or unforeseen expenditure in a departmental budget, the expenditure of those funds equates to spending funds not appropriated in that departmental budget. By its very nature, an emergency or unforeseen circumstance may need to be addressed prior to City Council approval of a budget amendment to cover the expenditure. To avoid potentially costly delays (e.g., additional damage to an operating system requiring repair), the City recommends that the Financial Management Policy be amended to allow the City Manager to approve such an expenditure to be followed by City Council approval of an ordinance amending the budget for such expenditure at the next regular meeting. This approval would cover expenditures to be funded by available contingency funds, but the approval could also cover expenditures to be covered by unassigned fund balance.

Previously, a contingency line item was also included in the Water/Sewer Fund under Public Works Administration. Because emergency or unforeseen expenditures typically occur in specific departments, a contingency is now budgeted by department in Dept. 501 - Water & Sewer Maintenance, Dept. 505 - Wastewater Treatment Plant, and Dept. 506 - Water Treatment Plant. In the event the contingency line item will be overspent due to the number of or amount of emergency expenditures, it would be necessary to amend these departmental budgets. Similar to the scenario described above, to avoid potentially costly delays, it may be necessary to allow the City Manager to approve such an expenditure to be followed by City Council approval of an ordinance amending the budget for such expenditure at the next regular meeting. This approval would cover expenditures to be funded by prior year revenues of the Water/Sewer Fund.

The proposed language to update this subsection is as follows:

In the case of an emergency or unforeseen circumstance, the City Manager is authorized to approve the immediate use of available contingency funds, unassigned fund balance, or prior year revenue to purchase the necessary goods or services to address the situation in a timely manner. Following such action, the related budget amendment shall be presented to City Council for approval at the next regular meeting.

Section V. Operating Expenditures includes a subsection for "Purchasing." The City has previously conferred authority to the City Manager by Ordinance No. 3774 dated January 19, 2016 to contract for expenditures of budgeted items not to exceed \$50,000.00 without further City Council approval. The City recommends including this authorization in the Financial Management Policy. Additionally, the City recommends including a reference to the required Form 1295 in the policy.

The proposed language to update this subsection is as follows:

The City Charter allows the City Council to confer upon the City Manager the general authority to contract for expenditures without further approval of City Council for all budgeted items not exceeding \$50,000. To more efficiently and effectively operate the City's purchasing operations, the City Council has conferred upon the City Manager the authority to contract for expenditures of budgeted items not to exceed \$50,000.00 without further City Council approval.

Subject to the requirements of Government Code Section 2252.908, which became effective on January 1, 2016, the City will need to obtain Form 1295, which is a disclosure form required from vendors if the purchase (a) requires an action or vote by the City Council before the contract may be signed; or (b) has a value of at least \$1,000,000. For any purchase presented to City Council for approval, the City will need to obtain a Form 1295 from vendors prior to action by City Council to approve the purchase, even if there is not a formal contract associated with the purchase (note: a purchase order is considered a contract).

Fiscal/Budgetary Impact:

N/A.

Approve the Financial Management Policy dated February 5, 2019.