FINANCIAL COMMISSION MEETING AGENDA

May 18, 2026 - 6:00 PM
Community Center- 97 Hillview Ave, Los Altos, CA 94022

PARTICIPATION: Members of the public may participate by being present at the Los Altos Community Center Sequoia Room located at 97 Hillview Avenue Los Altos, CA 94022 during the meeting. Public comment is accepted in person at the physical meeting location, or via email to financialcommissionmeeting@losaltosca.gov.

REMOTE MEETING OBSERVATION: Members of the public may view the meeting via the link below but will not be permitted to provide public comment via Zoom. Public comment will be taken in- person, and members of the public may provide written public comment by following the instructions below.

Telephone: 1-669-444-9171 | Zoom Webinar ID: 838 2450 8629 | Passcode: 410239

https://losaltosca-gov.zoom.us/j/83824508629?pwd=a1WkMUz1t1LTvl9yo5ZD7IIiX4GUdb.1

SUBMIT WRITTEN COMMENTS: Verbal comments can be made in-person at the public hearing or submitted in writing prior to the meeting. Written comments can be mailed or delivered in person to the City Clerk's Office or emailed to financialcommissionmeeting@losaltosca.gov.

Correspondence must be received by 2:00 PM on the day of the meeting to ensure distribution prior to the meeting. Comments provided after 2:00 PM will be distributed the following day and included with public comment in the packet.

AGENDA

ESTABLISH QUORUM

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Members of the audience may bring to the Commission's attention any item that is not on the agenda. Please complete a "Request to Speak" form and submit it to the Staff Liaison. Speakers are generally given two or three minutes, at the discretion of the Chair. Please be advised that, by law, the Commission is unable to discuss or take action on issues presented during the Public Comment Period. According to State Law (also known as "the Brown Act") items must first be noticed on the agenda before any discussion or action.

ITEMS FOR CONSIDERATION/ACTION

1. **Commission Minutes**
   Approve the draft minutes of the April 20, 2026 Financial Commission meeting and the April 22, 2026 Joint Planning, Complete Streets and Financial Commission meeting.

2. **Draft Fiscal Year 2026/27 Capital Improvement and Major Maintenance Program**
   Review the draft Fiscal Year 2026/27 Capital Improvement and Major Maintenance Program and provide feedback to staff.

3. **Financial Policy**
   Review the City of Los Altos Financial Policy and provide any recommended amendments as needed

4. **Purchasing Policy**
   Review the City of Los Altos Purchasing Policy and provide any recommended amendments as needed.

5. **Communication Strategy Ad Hoc Committee Report**
   Receive a report from the Communication Strategy Ad Hoc Committee

COMMISSIONERS' REPORTS

POTENTIAL FUTURE AGENDA ITEMS

ADJOURNMENT

SPECIAL NOTICES TO THE PUBLIC
In compliance with the Americans with Disabilities Act, the City of Los Altos will make reasonable arrangements to ensure accessibility to this meeting. If you need special assistance to participate in this meeting, please contact the City Clerk at least 48 hours prior to the meeting at (650) 947-2720.

Agendas, Staff Reports and some associated documents for Financial Commission items may be viewed on the Internet at http://www.losaltosca.gov/meetings.

If you wish to provide written materials, please provide the Commission Staff Liaison with 10 copies of any document that you would like to submit to the Commissioners in order for it to become part of the public record.

For other questions regarding the meeting proceedings, please contact the City Clerk at (650) 947-2720.

Financial Commission Staff Report

Meeting Date: May 18, 2026
Prepared By: Jon Maginot

Subject: Commission Minutes

RECOMMENDATION
Approve the draft minutes of the April 20, 2026 Financial Commission meeting and the April 22, 2026 Joint Planning, Complete Streets and Financial Commission meeting.

BACKGROUND

DISCUSSION

ATTACHMENTS
1. Attachment 1 - Draft Minutes (April 20, 2026)
2. Attachment 1 - Draft Minutes (April 22, 2026)

MINUTES OF THE MEETING OF THE FINANCIAL COMMISSION OF THE CITY OF LOS ALTOS, HELD ON MONDAY, APRIL 20, 2026, AT 6:00 P.M. HELD AT 97 HILLVIEW AVENUE, LOS ALTOS, CALIFORNIA 94022

ROLL CALL

PRESENT: Chair Jain, Vice Chair Zhang, Commissioners Chang, Fowler

ABSENT: Commissioner Ottoes

PLEDGE OF ALLEGIANCE

Chair Jain led the Pledge of Allegiance.

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

None

ITEMS FOR CONSIDERATION/ACTION

1. Draf Fiscal Year 2026/27 Operating Budget: Review the draft Fiscal Year 2026/27 Operating Budget

   Staff presented the draft operating budget and responded to Commission questions. No formal action was taken.

2. Commission minutes: Approve the draft minutes of the February 2, 2026 Financial Commission meeting

   Action: Upon a motion by Commissioner Chang, seconded by Commissioner Fowler, the Commission approved the minutes of the February 2, 2026 Financial Commission meeting by a 4-0-1 vote, with Commissioner Ottoes absent.

3. Pension Liability and PERS Reserve: Receive and review an informational report related to the City's pension obligations and plan to manage expected future increases in pension costs

   Staff provided the presentation and responded to Commission questions.

4. Communication Strategy Ad Hoc Committee Report: Receive a report from the Communication Strategy Ad Hoc Committee

   This item was continued to a future meeting.

POTENTIAL FUTURE AGENDA ITEMS

ADJOURNMENT

Chair Jain adjourned the meeting at 7:01 p.m.

CITY OF LOS ALTOS
JOINT PLANNING, COMPLETE STREETS, AND FINANCAL COMMISSION MEETING MINUTES
WEDNESDAY, APRIL 22, 2026, 6:00 p.m.

1 N. San Antonio Rd., Los Altos, CA

CALL MEETING TO ORDER: Brittany Whitehill, Senior Planner, called the meeting to order at 6:00 p.m.

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA
There was no public comment.

DISCUSSION

1. **Study Session - Comprehensive General Plan Update – Community Visioning and Guiding Principles**
   Discuss the community vision and guiding principles associated with Phase 1 of the Los Altos Comprehensive General Plan Update.

Andrew Hill from Dyett and Bhatia gave a presentation.

PLANNING COMMISSION

ESTABLISH QUORUM: Five Planning Commissioners were present and in person during the meeting. Chair Ahi was absent.

The Planning Commissioners discussed the item.

COMPLETE STREETS COMMISSION

ESTABLISH QUORUM: Six Complete Streets Commissioners were present and in person during the meeting. Chair Pietka was absent.

The Complete Streets Commissioners discussed the item.

FINANCAL COMMISSION

ESTABLISH QUORUM: Three Financial Commissioners were present and in person during the meeting. Commisioners Fowler and Zhang were absent.

The Financial Commissioners discussed the item.

Senior Planner Brittany Whitehill opened the public comment period.

Jon Baer, Nancy Martin, Alyce Boster, and Richard Simmons from the public spoke.

Senior Planner Brittany Whitehill closed the public comment period.

POTENTIAL FUTURE AGENDA ITEMS – Senior Planner Brittany Whitehill announced next joint meeting date and time and shared methods for community members to share.

ADJOURNMENT – The meeting adjourned at 8:10 p.m.

The Planning Commission Meeting recording may be viewed via the following external website: https://www.youtube.com/@CityofLosAltosCA. The City of Los Altos does not own or operate YouTube. The video referenced on these minutes were live at the time the minutes were published.

Financial Commission Staff Report

Meeting Date: May 18, 2026
Prepared By: Jessie Kim

Subject: Draft Fiscal Year 2026/27 Capital Improvement and Major Maintenance Program

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RECOMMENDATION

Review the draft Fiscal Year 2026/27 Capital Improvement and Major Maintenance Program and provide feedback to staff.

BACKGROUND

The Capital Improvement and Major Maintenance Program (CIMMP) is the City's plan for investing in infrastructure, public facilities, equipment, and vehicles. It funds both new capital projects and the recurring maintenance needed to keep existing assets safe and functional.

The draft FY 2026/27 CIMMP reflects Council priorities, the condition of the City's existing assets, and infrastructure needs identified by staff across departments. It will be presented to the City Council for adoption alongside the FY 2026/27 Operating Budget.

DISCUSSION

ATTACHMENTS

1. Attachment 1 - Draft Fiscal Year 2026-27 CIMMP

FY26/27 Capital Improvement Major Maintenance Program

CURRENT PROJECTS

Project Number	Project Name	Strategic Alignment	Status	FY26 Budget	FY26 Actual as of 5/13/2026	FY26 Encumbrance as of 5/13/2026	FY27 Rollover (Budget - YTD Actual)	FY27 New Budget	FY27 Total Budget	Funding Source
10001	Police Department Building Security Upgrades	Public Safety	Active	75,000	-	-	75,000	80,000	155,000	Technology
10002	San Antonio Club Upgrades	Housing	Active	85,000	-	-	85,000	-	85,000	Park Impact Fee
10004	999 Fremont	Public Safety	Active	240,500	938	-	239,563	-	239,563	CIP
10005	Halsey House Rehabilitation	Housing	Active	208,393	26,824	25,880	181,569	-	181,569	CIP
10007	City Hall Emergency Back-up Power Generator	Public Safety	Active	420,000	-	750	420,000	40,000	460,000	CIP
10009	Library Construction	General Government	Active	955,891	186,294	477,020	769,597	150,000	919,597	CIP
10010	MSC EV Infrastructure Project	Environmental Sustainability	Active	175,000	-	-	175,000	20,000	195,000	CIP
10010	MSC EV Infrastructure Project	Environmental Sustainability	Active	168,450	-	-	168,450	20,000	188,450	Fleet Vehicle
10011	History Museum Roof Replacement	Environmental Sustainability	Active	175,000	-	750	175,000	40,000	215,000	Facility Maintenance
10014	Grant Park Facility Solar and Battery Storage Installation	Environmental Sustainability	Active	275,000	20,556	53,274	254,444	-	254,444	Park Impact Fee
10015	New Police Building Design	Public Safety	Active	300,000	70,700	29,300	229,300	-	229,300	Facility Maintenance
20000	Downtown Lighting Improvements	Business Communities	Active	50,000	33,474	-	16,526	50,000	66,526	CIP
20002	Downtown Park Space with parking	Business Communities	Active	1,713,500	609,340	1,104,160	1,104,160	-	1,104,160	Park Impact Fee
30000	General Plan	Housing	Active	500,000	256,580	239,420	243,420	1,400,000	1,643,420	CIP
40006	Community Center Café	General Government	Active	165,000	-	750	165,000	-	165,000	Park Impact Fee
40008	Shoup Park Playground	Housing	Active	620,000	50	537,595	619,950	-	619,950	Park Impact Fee

FY26/27 Capital Improvement Major Maintenance Program

Project Number	Project Name	Strategic Alignment	Status	FY26 Budget	FY26 Actual as of 5/13/2026	FY26 Encumbrance as of 5/13/2026	FY27 Rollover (Budget - YTD Actual)	FY27 New Budget	FY27 Total Budget	Funding Source
40009	Grant Playground	Housing	Active	620,000	50	444,849	619,950	-	619,950	Park Impact Fee
70001	Annual Traffic Sign Replacement	Circulation Safety & Efficiency	Active	50,000	-	-	50,000	-	50,000	RMRA
70002	Fremont Ave Pedestrian Bridge Rehabilitation	Circulation Safety & Efficiency	Active	467,883	1,916	88,830	465,967	-	465,967	CIP
70004	Intersection Access Barrier Removal	Circulation Safety & Efficiency	Active	127,301	100,690	5,813	26,610	-	26,610	TDA
70005	Downtown Parking lot resurfacing	Business Communities	Active	500,000	126,483	131,151	373,517	626,503	1,000,020	Downtown Parking
70005	Downtown Parking lot resurfacing	Business Communities	Active	978,678	-	-	978,678	1,521,302	2,499,980	CIP
70010	San Antonio Road Complete Street Project	Circulation Safety & Efficiency	Active	1,120,000	-	-	1,120,000	-	1,120,000	OBAG
70010	San Antonio Road Complete Street Project	Circulation Safety & Efficiency	Active	283,000	-	-	283,000	-	283,000	TIF
70011	Cristo Rey Guard Rail repair	Circulation Safety & Efficiency	Active	371,000	77,375	-	293,625	-	293,625	CIP
70013	Downtown Circulation Study	Business Communities	Active	100,000	-	-	100,000	-	100,000	CIP
80000	Chamber AV Equipment Upgrade	General Government	Active	50,000	20,514	30,193	29,486	-	29,486	PEG
80001	Police Records Management & Dispatch System	Public Safety	Active	247,000	-	191,186	247,000	-	247,000	CIP
80003	IT Enhancement	General Government	Active	400,000	48,497	206,563	351,503	260,000	611,503	Technology
90001	Sewer System Management Plan Update	Environmental Sustainability	Active	73,771	-	-	73,771	25,000	98,771	Sewer
90003	Document Scanning	Environmental Sustainability	Active	300,000	-	-	300,000	150,000	450,000	Sewer
90005	Sanitary Sewer Video Inspection	Environmental Sustainability	Active	440,000	1,017	386,703	438,983	440,000	878,983	Sewer
90006	Adobe Creek Sewer Main Replacement	Environmental Sustainability	Active	491,960	52	103,251	491,908	-	491,908	Sewer
				12,747,326	**1,581,349**	**4,057,437**	**11,165,977**	**4,822,805**	**15,988,782**	

FY26/27 Capital Improvement Major Maintenance Program

ONGOING - ANNUAL PROJECTS

Project Number	Project Name	Strategic Alignment	Status	FY26 Budget	FY26 Actual as of 5/13/2026	FY26 Encumbrance as of 5/13/2026	FY27 Rollover (Budget - YTD Actual)	FY27 New Budget	FY27 Total Budget	Funding Source
70023	FY27 Annual Street Resurfacing	Circulation Safety & Efficiency	Ongoing - Annual	-	-	-	164,677	623,000	787,677	Measure B
				-	-	-	94,922	361,000	455,922	RMRA
				-	-	-	76,293	500,000	576,293	Gas Tax
				-	-	-	1,535,671	1,500,000	3,035,671	CIP
70024	FY27 Annual Street Striping	Circulation Safety & Efficiency	Ongoing - Annual	-	-	-	405,159	150,000	555,159	Gas Tax
				-	-	-	270,106	100,000	370,106	VRF
70025	FY27 Annual Street Slurry Seal	Circulation Safety & Efficiency	Ongoing - Annual	-	-	-	10,157	20,000	30,157	Measure B
				-	-	-	299,968	350,000	649,968	Gas Tax
				-	-	-	325,361	400,000	725,361	VRF
				-	-	-	331,252	200,000	531,252	CIP
90002	Annual Root Foaming	Environmental Sustainability	Ongoing - Annual	200,000	29,734	170,266	170,266	-	170,266	Sewer
90010	FY27 Annual Fats, Oils, Grease Program (FOG)	Environmental Sustainability	Ongoing - Annual	-	-	-	15,308	52,000	67,308	Sewer
90011	FY27 Annual Structural Reach Replacement	Environmental Sustainability	Ongoing - Annual	-	-	-	364,680	900,000	1,264,680	Sewer
				8,917,219	**4,853,399**	**1,352,297**	**4,063,819**	**5,156,000**	**9,219,819**	

FY26/27 Capital Improvement Major Maintenance Program

NEW PROJECTS

Project Number	Project Name	Strategic Alignment	Status	FY26 Budget	FY26 Actual as of 5/13/2026	FY26 Encumbrance as of 5/13/2026	FY27 Rollover (Budget - YTD Actual)	FY27 New Budget	FY27 Total Budget	Funding Source
10029	Capacity Study (Civic Center)	Environmental Sustainability	New	-	-	-	-	120,000	120,000	CIP
10018	Garden House Upgrade Design	Housing	New	-	-	-	-	75,000	75,000	Park Impact Fee
10019	Tennis Court Resurfacing	Housing	New	-	-	-	-	310,000	310,000	Park Impact Fee
10020	Grant Park Basketball Court Replacement and resurfacing	Housing	New	-	-	-	-	250,000	250,000	Park Impact Fee
10021	McKenzie Pickleball Courts	Housing	New	-	-	-	-	375,000	375,000	Park Impact Fee
10022	Lincoln Park Gazebo Replacement	Housing	New	-	-	-	-	200,000	200,000	Park Impact Fee
10023	Admin Building B (formerly LAYC) Playground	Housing	New	-	-	-	-	80,000	80,000	Park Impact Fee
10024	Redwood Grove cement pathway replacement	Housing	New	-	-	-	-	20,000	20,000	Park Impact Fee
10025	Replacement of irrigation controls	Housing	New	-	-	-	-	75,000	75,000	CIP
10026	Sidewalk concrete repair and work	Circulation Safety & Efficiency	New	-	-	-	-	50,000	50,000	CIP
10028	Green Stormwater Infrastructure Retrofit Program	Environmental Sustainability	New	-	-	-	-	350,000	350,000	CIP
70021	City-Owned Sidewalk Construction	Circulation Safety & Efficiency	New	-	-	-	-	175,000	175,000	CIP
70020	Cristo Rey Drive Investigation	Circulation Safety & Efficiency	New	-	-	-	-	150,000	150,000	CIP
70015	Bicycle/Pedestrian Education Program	Circulation Safety & Efficiency	New	-	-	-	-	64,000	64,000	Measure B
70016	Maintenance of various Traffic Safety throughout the City	Circulation Safety & Efficiency	New	-	-	-	-	250,000	250,000	RMRA
70017	New traffic signal controller at Springer and Fremont	Circulation Safety & Efficiency	New	-	-	-	-	600,000	600,000	CIP

FY26/27 Capital Improvement Major Maintenance Program

Project Number	Project Name	Strategic Alignment	Status	FY26 Budget	FY26 Actual as of 5/13/2026	FY26 Encumbrance as of 5/13/2026	FY27 Rollover (Budget - YTD Actual)	FY27 New Budget	FY27 Total Budget	Funding Source
70022	FY27 Annual Traffic Sign Replacement	Circulation Safety & Efficiency	New	-	-	-	-	170,000	170,000	RMRA
90007	Annual Sewer System Repair Program	Environmental Sustainability	New	-	-	-	-	235,000	235,000	Sewer
90008	Sewer Flow Metering - Los Altos Hills Conveyance	Environmental Sustainability	New	-	-	-	-	150,000	150,000	Sewer
				-	**-**	**-**	**-**	**3,699,000**	**3,699,000**	
			TOTAL	**21,664,545**	**6,434,748**	**5,409,735**	**15,229,796**	**13,677,805**	**28,907,601**	

Financial Commission Staff Report

Meeting Date: May 18, 2026
Prepared By: Jon Maginot

Subject: Financial Policy

RECOMMENDATION
Review the City of Los Altos Financial Policy and provide any recommended amendments as needed

BACKGROUND
The City of Los Altos adopts the Financial Policy to provide guidelines for financial management, budget development and fiscal administration for the City. The Financial Policy was last updated in 2025.

DISCUSSION
Staff and the Financial Commission review the Policy each year. This year, staff does not recommend any changes. This item is for the Commission to review and determine if any changes are recommended.

ATTACHMENTS
1. Attachment 1 - Financial Policy

FINANCIAL POLICY

OVERVIEW

This document establishes policies of overall financial management, budget development, and fiscal administration for the City of Los Altos. Included herein are statements and principles designed to guide the City in maintaining its financial stability.

Formal adopted financial policies assist elected officials and staff in the development of fiscal management practices, save time and energy in making financial decisions, promote public confidence, and provide continuity over time. While these policies will be updated periodically, they provide the basic framework for many of the financial decisions that the City will address. They support long-term planning and enhance the City's effectiveness.

This document discusses the most important elements of financial management in one comprehensive centralized format and is organized into the following areas of discussion:

- General Financial Principles
- Operating Budget
- Capital Improvements Program
- Revenues
- Expenditures
- Cash and Investment Management
- Debt Management
- Fund Balances and Reserves
- Financial Reporting and Audit
- Internal Control of the Financial Enterprise System
- Annual Review and Update
- Exhibits

GENERAL FINANCIAL PRINCIPLES

It is the overall policy of the City of Los Altos to:

- Provide financial information in a relevant, thorough, timely fashion, and in a format that effectively communicates financial status to Council, citizens, and City employees.
- Manage its financial resources in a responsible and planned manner.
- Establish and maintain prudent fund balance levels.
- Maintain financial reporting in compliance with current governmental accounting standards.
- Promote and implement a relevant and strong system of internal financial controls to manage significant risks and monitor the reliability and integrity of financial and operating reporting.
- Promote constructive and proactive financial decision making.
- Integrate long-term operating and capital resources planning.
- Allow for uncertainties and maintain a posture of financial flexibility.
- Develop programs in a manner that supports the City’s long-term ability to cover costs and provide the level and quality of service required by its citizens.
- Manage debt responsibly.
- Establish and maintain investment policies in accordance with State law.

FINANCIAL POLICY

OPERATING BUDGET

An annual operating budget shall be adopted by the City Council no later than June 30 of each fiscal year. The City should strive to develop a multi-year financial plan (a five-year forecast) that is updated as part of the periodic budget process.

A balanced provisional operating budget will be presented to City Council for review and adoption. A "balanced budget" means that recurring expenditures do not exceed recurring revenues. Total expenditures should not exceed total revenue plus available funds. Available funds may include the use of fund balances on hand. The city adheres to a structurally balanced budget in that ongoing revenues are matched to ongoing expenses and one-time or cyclical revenues cover one-time expenses to manage to a net zero or positive bottom line.

Funds may not be expended for a new fiscal year until the budget for that fiscal year has been adopted by City Council.

One-time revenue sources are not to be relied upon to fund ongoing operations.

Budgetary control is maintained at the fund level:

- The City Manager may make budget transfers between departments or programs as long as those changes do not increase overall appropriations within any one given fund. Transfers between funds, overall increases in fund appropriations, and overall increases in project budgets can only be made through City Council action. Transfers between departments should be reported to the City Council as part of the budget update process, either at mid-year or at the proposal of a new budget term
- Department heads are held directly responsible and accountable for developing and managing their operational budgets. Their level of control is held at the department level. Departments that operate programs among different funds are limited to the appropriation levels within any one fund.

Operating expenditure appropriations not spent during the fiscal year lapse at year- end, except for:

- Encumbrances or commitments, as in the form of finalized Purchase Orders, made during the fiscal year that have not been completed at year- end.
- Appropriations for capital improvement projects and ongoing grants with a life-cycle beyond one year.

Governmental funds use the modified accrual basis of accounting while proprietary and fiduciary fund types are budgeted on a full accrual basis of accounting. The Annual Comprehensive Financial Report (ACFR) presents City's finances on a generally accepted accounting principles (GAAP) basis and the City's budget is prepared in conformance with these standards.

The City budget must comply with the annual determination of the City's appropriations limit calculated in accordance with Article XIIIB of the Constitution of the State of California and adopt an annual resolution to this effect.

FINANCIAL POLICY

CAPITAL IMPROVEMENT AND MAJOR MAINTENANCE PROGRAM

The City will develop and maintain a five-year capital improvement and major maintenance plan (CIMMP) to be updated annually in conjunction with the operating budget. The CIMMP should reflect the current and changing needs of the community as well as enhance the community's quality of life.

All projects within the CIMMP are to be tracked systematically and reported to management quarterly. CIMMP tracking reports should clearly display budget-to-actual performance by project, fund category and project status.

A capital program typically involves the purchase or construction of major fixed assets such as land, buildings and any permanent improvement including additions, replacements and major alterations having a long-life expectancy. Additionally, capital projects may apply to 1) expenditures that take place over two or more years and require continuing appropriations beyond a single fiscal year; 2) systematic acquisitions over an extended period of time or 3) scheduled replacement of specific elements of physical assets. Generally, only those items costing $10,000 or more are considered as capital projects. Vehicle purchases will also be included in this program when a fleet replacement plan is established.

The City also identifies projects in the Major Maintenance Program each year. Those projects mainly apply to 1) up-grade and maintain all buildings at current, competitive standards; 2) address code and safety issues, mechanical, electrical and plumbing systems, exterior and structural shortcomings, cosmetics, and immediate landscape issues; 3) the dollars are not to be spent to alter buildings or to renovate; 4) dollars should extend the life of whatever is being corrected for cycle of life designated for the building (typically ten years).

Capital improvements that specifically benefit a select group of users and/or are fee- for-service based are to be financed through user fees, service charges, special assessments and taxes, or development impact fees.

Capital improvements that specifically benefit a fee-for-service enterprise operation (such as Sewer) are to be financed through the service fees generated within that operation and fund. Such fees should be supported by periodic updates to the related utility master plan.

Transfers of resources into the CIP fund will be evaluated on an annual basis dependent upon the existence of available surplus dollars.

The City should strive to maximize the use of capital grants and state subventions in funding capital improvements before tapping general revenue sources.

REVENUES

The City will strive to maintain a diversified and stable revenue base to minimize the impact of economic fluctuation.

The City will seek out, apply for, and effectively administer federal, state, and other grants that address the City's current operating and capital priorities.

FINANCIAL POLICY

Independent user-fee studies should be performed and updated periodically (three to five years) to ensure the proper balance of costs and service charges. The City should strive to cover the full cost of providing non-tax and discretionary fee-based service operations except to the extent that City Council approves defined subsidy levels by program area.

Operating departments are to review public services to identify and determine those appropriate for fee collection. Recommendations for new fees are to be presented to the City Council as fees are periodically updated.

Operating departments are to review existing fees periodically and recommend adjustments, if necessary, to ensure they reflect all direct and reasonable indirect costs of providing such services.
Enterprise operations will be self-supporting and shall reimburse the General Fund for any and all material and services provided on their behalf.

FINANCIAL POLICY

EXPENDITURES

Expenditures are to be budgeted and controlled so as to not exceed estimated revenues plus the approved and planned use of fund balances accumulated in prior years.

The City will conduct a mid-year financial status review to determine if projected revenues and expenditures meet target levels. If an operating deficit is projected at year-end, the City should evaluate the need for immediate corrective and/or mitigating actions, including operating or capital expenditure reductions and/or activate the use of established contingency balances. The deferral of essential and scheduled operational expenditures into the following fiscal year or the use of short-term loans and transfers to balance the budget should be avoided.

The City should implement a formal purchasing system, principles, and guidelines to ensure that expenditure levels are kept in check in the course of any fiscal year.

CASH AND INVESTMENT MANAGEMENT

The Financial Commission will review the City's investment policy annually and make recommendations to the City Council when appropriate.

The responsibility of investing City funds rests with the Finance Director who is to exercise due diligence to adhere to the investment policy. The Finance Director will present to the City Council quarterly investment reports presenting a summary of the portfolio status and compliance with the conditions set forth in the investment policy.

DEBT MANAGEMENT

The City should plan the use of debt in a manner that sustains financing payments at manageable levels.

The City will seek to maintain a high credit rating through sound financial practices as a basis to minimize borrowing costs.

The City will make every effort to use pay-as-you-go financing for capital improvement projects. Debt financing for a project can be used if the overall project cost exceeds anticipated available resources and/or if the cost of financing is favorable as compared to the use of City investment holdings over the financing term.

The City will monitor all forms of debt annually in conjunction with the budget preparation process and report concerns and remedies, if necessary, to City Council.

The City will diligently monitor its compliance with bond covenants.

The City will not issue long-term debt to finance current operations. Debt financing should only be used for long-term capital improvement projects with a useful life exceeding the term of the financing and for which the project revenues or specific identified revenue sources are sufficient to service the long-term debt.

The City will use a lease-purchase method of financing for equipment if the lease rates are more favorable than the City's expected overall investment rate of return.

The City will not incur general obligation indebtedness for public improvements which exceed, in aggregate, 15% of the assessed value of all real and personal property of the City as specified in the California Government Code Section 43605.

FUND BALANCE

GOVERNMENT FUND TYPE DEFINITIONS

The City's governmental fund types include the general fund, special revenue funds, capital projects funds, and debt service funds. GASB has clarified the definitions of these funds as follows:

GENERAL FUND

The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest, even if it is being accumulated for future years' payments. Debt service funds should be used to report resources if legally mandated.

FUND BALANCE CLASSIFICATIONS

Fund balance is defined as the difference between assets and liabilities. Beginning in FY2010-2011, the City is required to reclassify fund balances into the following five categories to comply with the Governmental Accounting Standards Board Statement (GASB) No. 54, Fund Balance and Governmental Fund Types.

NONSPENDABLE

This is a portion of fund balance not available for appropriations by its nature or external restriction. Examples are inventories and donations that require intact principal values.

SPENDABLE: RESTRICTED

The restricted portion of fund balance is subject to externally enforceable legal restrictions. Examples are Gas Tax revenues and grant proceeds.

COMMITTED

The committed portion of fund balance is constrained by the limitations imposed through formal City Council action. Only formal City Council action can remove or modify a previously committed amount.

ASSIGNED

The Assigned portion of fund balance is established for intended use by either the City Council or its designee, such as the City Manager. No formal City Council action is needed to remove the intended use. GAAP required reserves, such as the Other Post-Employment Benefits (OPEB) reserve, belong to this category. The Fiscal Policy and State Revenue Stabilization policy balances belong to this category.

UNASSIGNED

The Unassigned portion of fund balance is that remaining after the non- spendable, the restricted, the committed, and the assigned fund balances are identified and recorded.

FINANCIAL POLICY

GOVERNING BODY ORDER OF FUND UTILIZATION

The City of Los Altos will use GASB's definitions of fund balance for the annual financial reports (audits) and for all other financial reporting. For all financial planning purposes, the term Budgetary Fund Balance will be used and will include any portion of the fund balance that is available for appropriation. Portions of the fund balance not available for appropriation will be identified as follows.

The City of Los Altos policy establishes the order of use of unrestricted resources as follows:

The City shall strive to use the most restricted fund balances prior to utilizing those that are less restricted. The following order of use reflects this guideline:

- Nonspendable (if funds become spendable)
- Restricted
- Committed
- Assigned
- Unassigned

SPECIAL REVENUE CLASSIFICATIONS

Only the General Fund has an unassigned category since money remaining in any other fund is automatically designated or assigned to the purposes of that fund. Under the new GASB 54 rules, if the balance of a Special Revenue Fund if not formally restricted or committed by fiscal year end, then it must be reported as part of the General Fund for fiscal year end audited financial statement purposes. For some of the City's special revenue funds, this necessitates the City Council to provide direction on the intended use of resources for the future. Staff recommends that the City Council adopt the following list of the City's Special Revenue Funds and their expected fund balance classifications:

- Vehicle Impound Fund – Restricted to Public Safety Use
- Supplemental Law Enforcement Fund – Restricted by State Statute
- Gas Tax Funds – Restricted by State Statute
- Proposition 1B – Restricted by State Statute
- Community Development Block Grants – Restricted by Federal/State Statute
- Downtown Parking Fund – Restricted by Council Action
- In-Lieu Park Fee – Restricted by State Statute
- Traffic Impact Fee – Restricted by State Statute
- Estate Donation Fund – Restricted by Council Intent
- Transportation Development Act (TDA) Funds – Restricted by State Statute
- Measure B Fund – Restricted by State Statute
- Vehicle Registration Fund - Restricted by State Statute
- PEG Fees Fund – Restricted by State Statue
- Public Art Fund – Restricted by Council Intent
- AB- 1379 CASP Fee – Restricted by State Statute
- SB1 Road Maintenance Rehab – Restricted by State Statute
- Public Safety Impact Fee – Restricted by State Statute
- General Gov't Impact Fee – Restricted by State Statute

In addition, GASB 54 allows the City Council authority to "assign" ending fund balances or bestow this authority to a City officer or designee. To provide the City with the most flexibility in financial reporting, the City Manager is given authority to assign resources and ending fund balances.

FUND BALANCE POLICY LEVELS

PURPOSE

The City of Los Altos (City) has enacted the Fund Balance policies in an effort to ensure financial security through the maintenance of a healthy fund contingency balance that guides the creation, maintenance, and use of resources for financial stabilization purposes. The City's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The City also seeks to maintain the highest possible credit ratings which are dependent, in part, on the City's maintenance of a healthy fund balance.

GENERAL FUND

The City's fiscal goal is to maintain annual expenditure increases at a sustainable growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The Council-directed target is to maintain an unassigned fund balance of no less than 20% of annual operating expenditures for the reasons noted below. This level of coverage includes General Fund balance amounts specifically assigned for annual Emergency and Operating Reserve as discussed and defined further below:

- To provide funding to cover approximately two (2) months of operating expenses with the goal of achieving three months coverage in the long term.
- To provide the liquidity necessary to accommodate the City's uneven cash flow, which is inherent in its periodic tax collection schedule.
- To provide the liquidity to respond to contingent liabilities.
- To adhere to Government Finance Officers Association (GFOA) recommendation that a minimum General Fund unrestricted fund balance to be maintained of no less than either two (2) months of regular operating revenues or expenditures.

INTENDED USES FOR RESERVE

- Interruptions in cash inflows
  Examples include the State holding back on or altering tax disbursements, loss of sales tax receipts of a one time nature, or a significant economic slowdown. If the cash inflow interruption is of an ongoing nature, reserve use is limited to a consecutive two-year period, not to exceed 40% of the beginning reserve balance.

- Emergencies
  In the event of an emergency or disaster such as earthquakes, fires, floods or other such emergencies, the entire balance may be used to temporarily fund recovery costs. It is understood

that all aide assistance options will be sought to fund recovery efforts or reimbursement of the Contingency Reserve for the fronting of recovery costs.

OTHER CRITERIA FOR USE

A majority vote from the City Council is required to determine that it is necessary to use the Contingency Reserve for any of the uses listed above. With the exception of the emergency scenario, the reserve contingency balance allocated for other intended uses shall not exceed 50% of the required balance in any given year.

REPLENISHMENT PLAN

Unless a repayment plan is pre-established at the time reserves are allocated, Staff shall bring for Council consideration a replenishment plan, within 60-days of allocation from the reserve. It would be Council's expectation that every effort would be made to replenish the reserve as soon as it is financially feasible and practical to do so.

CALPERS UNFUNDED ACCRUAL LIABILITY (UAL) &OTHER POST EMPLOYMENT BENEFITS (OPEB) FUNDING

The City conducted actuarial studies to comply with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits and GASB Statement No. 68, Accounting and Financial Reporting for Pension* to determine the City's obligations). The studies concluded that the City should set aside annual funding for those obligations and the City has maintained internal funding of UAL and OPEB obligations for this purpose.

SEWER FUND BALANCES

The City should maintain the balances in the Sewer Fund at a level sufficient to accommodate operating and capital needs. The Sewer Master Plan has set this reserve at 25% of annual expenditures, including estimated capital improvements. This level of funding should be established pursuant to the performance of a utility fund rate-study and/or master plan and are to be used for unanticipated operating and capital needs, and to level future rate increases. Multi-year fee studies for this fund should be updated periodically as a basis for defining the revenue sources necessary to maintain system infrastructure and required services levels. As a result of the periodic fee or master plan studies, adjustments to user charges may be necessary to maintain recommended fund balance levels.

WORKERS' COMPENSATION AND LIABILITY INSURANCE FUNDING

Periodic actuarial studies of self-insured workers' compensation and general liabilities will be conducted to ensure that proper levels of liabilities are accrued for claims and that rates charged to operating departments are appropriate.

EQUIPMENT REPLACEMENT FUNDING

An equipment replacement fund will be maintained to provide for the timely replacement of vehicles and other operating capital equipment. This fund is to be reviewed on an annual basis and rates charged to the using departments based on the depreciation guidelines established in this policy.

FINANCIAL POLICY

FINANCIAL REPORTING AND AUDIT

The City's accounting and financial reports are to be maintained in conformance with GAAP.

An annual financial audit will be performed by an independent public accounting firm familiar with municipal government activities. The independent auditor will issue an audit opinion to be included in the City's Annual Comprehensive Financial Report (ACFR). Additionally, the auditor will present the ACFR and discuss audit findings to the Financial Commission. The City encourages the rotation of audit service providers on a periodic basis.

The City is encouraged to submit the Annual ACFR and Popular Annual Financial Report (PAFR) to State and/or National Government Finance Professional organizations (Government Finance Officers' Association's Certification of Achievement for Excellence in Financial Reporting - California Society of Municipal Finance Officers ACFR Award) for independent review and evaluation

Internal financial status reports are to be issued on a period c and timely basis – no less than quarterly and made readily available citywide.

CAPITAL ASSETS

At the time of Acquisition, capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Then the assets will be recorded at the depreciated value based on the depreciation schedule.

The City is to record the depreciation equipment, buildings and facilities, and infrastructure as follows and in line with internally established capitalization guidelines:

CAPITALIZATION THRESHOLDS

• Land purchases	Any value
• Equipment	$10,000
• Buildings and facility improvements	$25,000
• Infrastructure	$100,000

DEPRECIATION

Depreciation will be recorded on a straight-line basis over the following estimated useful lives:

• Equipment	3 – 10 years
• Site Improvements other than buildings	30 – 50 years
• Buildings	50 years
• Infrastructure	30 – 100 years

In June 1999, the GASB issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City included all infrastructure into the Basic Financial Statements. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital asset construction, if any, is capitalized for the business type and proprietary funds as part of the asset cost.

INTERNAL CONTROL FOR FINANCIAL ENTERPRISE SYSTEM

The City works with Bay Cities Joint Powers Insurance Authority to conduct periodic cybersecurity audits. All cybersecurity measures are in accordance with City and State laws and industry best practices.

Financial system access control is in place. Only authorized individuals can access critical financial systems and data.

The City holds regular training sessions to raise awareness among employees about the importance of cybersecurity and to educate on best practices. These training sessions include topics such as phishing attacks, social engineering, safe browsing habits and the proper handling of sensitive data.

Financial Commission Staff Report

Meeting Date: May 18, 2026
Prepared By: Jessie Kim

Subject: Purchasing Policy

RECOMMENDATION
Review the City of Los Altos Purchasing Policy and provide any recommended amendments as needed.

BACKGROUND
The City of Los Altos adopts the Purchasing Policy to provide guidelines for the procurement of goods, services, and professional services, and to establish approval authorities and bidding requirements. The Purchasing Policy was last updated in 2025.

DISCUSSION
Staff recommends one change to expand the City Manager's authority to approve transfers between Capital Improvement Projects, in addition to existing authority over transfers between Departments/Programs. The City Council retains authority over any increase in total appropriation and over any transfer between funds. The remaining edits are technical and clarifying in nature, including standardizing approval thresholds across the narrative, tables, exhibits, and glossary; and reflecting current operational practice. The Purchase Card Policy and Employee Agreement exhibits have also been updated. This item is for the Commission to review and determine if any changes are recommended.

ATTACHMENTS
1. Purchasing Policy redlined 5.14.2026 rev2

City of Los Altos
Purchasing Policy

JUNE 2025

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ETHICAL GUIDELINES

- Compliance with legal prohibitions on conflicts of interest, including the Political Reform Act and Government Code §1090, is required.
- Purchasing from or contracting with a business entity wholly or partially owned or operated by a City employee, or employee's spouse, is prohibited unless approved in advance by the City Manager. Any employee with such an ownership interest must have no official (City) role in the contracting process.
- Purchasing from or contracting with a business entity wholly or partially owned or operated by a family member of a City employee must be approved in advance by a Department Head in writing. To avoid any purchasing conflicts and contract administration issues, any City employee with a familial relationship to a City contractor must disclose the relationship to the Department Head. Such employees must have no official (City) role in the contracting process. A familial relationship is defined as grandparent, grandchild, parent, child, son-in-law, daughter-in-law, parent- in-law, or sibling relationship.
- A City employee may not participate in the contracting process if they have a financial interest in any person(s), firm, or business entity involved with providing goods or services to the City.
- Departments must make every attempt to ensure open and competitive purchases.
- Splitting purchases for the purpose of evading the procedures outlined in this document is strictly prohibited.
- The receipt of any monetary or non-monetary gifts, gratuities, promotional items, rebates, or kickbacks of any value from a prospective or actual contractor or vendor to a City employee is prohibited.

OVERVIEW & RESPONSIBILITIES

Implementing a formal policy and process of procuring goods and services, including a purchase order process, provides several key benefits. It supports clear purchase specifications, avoids disputes with vendors, builds an audit trail, allows level competition to set prices, controls spending limits, creates a system of checks and balances, and enhances public trust. The following principles were used in developing this document, and are as follows:

- This policy addresses the acquisition of equipment, materials, supplies, maintenance services, and professional services in accordance with the Los Altos Municipal Code. It does not address the procurement of public work projects as defined by the California Public Contract Code.

- The Finance Director is responsible for implementing this document. Administrative changes or interpretations to this document shall be approved by the City Manager to clarify instructions and address tactical operational needs.
- The City Attorney or other Attorneys used do not have any financial authority but are responsible for ~~reviewing items directed to them by a Department Director, Risk Manager or City Manager.~~ providing legal review of items directed to them by a Department Director, Risk Manager or City Manager. The City Attorney's role is limited to legal review and does not constitute financial approval authority. Legal review(s) could be contracts, Purchase Orders (PO), Blanket Purchase Orders (BPO), or other Service Agreements as defined in this document.
- Purchasing is decentralized, with each Department Director responsible for coordinating purchasing efforts in their operations. ~~Initiated through a departmental Requisition (REQ), Finance shall review Purchase Orders (PO), Blanket Purchase Orders (BPO), Purchasing Contract Agreements (PCA) or Contract Purchase Orders (CPO).~~Purchases are initiated through a departmental Requisition (REQ), which is routed to Finance for review and approval. Once the Requisition is approved, Finance will generate the corresponding Purchase Order (PO), Blanket Purchase Order (BPO), Purchase Contract Agreement (PCA), or Contract Purchase Order (CPO).
- No requisition or BPO, PO, PCA or CPO lacking sufficient appropriation levels as set in the adopted budget will be undertaken.
- Purchases shall not be split to avoid required bid levels or authorizing dollar limits.
- Competitive bids shall be sought using the scope and dollar limits outlined herein whenever possible. A minimum of two (2) quotes are required with three (3) quotes preferred. Requests for Bids should consider the quality necessary to meet the City's needs.
- Service and pricing negotiation is encouraged by the procurement of professional or maintenance services bound via the execution of a City-compliant contract approved by the Risk Manager.
- Contracts and Service Agreements that result in a Purchase Order must ~~have the approval of~~ be reviewed and approved by the Risk Manager for insurance and liability compliance.
- A City Business License shall be required of any vendor providing construction or maintenance services within the City of Los Altos. Professional Services such as specialized consultant whom do not maintain offices within the City of Los Altos are not required to maintain a City Business License.
- Emergency purchases are allowed under the conditions set forth herein.

A VARIETY OF WAYS TO MAKE PURCHASES

Purchasing methods vary with the dollar amount and nature of the purchase as follows:

Method of Purchase	Purchase Type	Subject to Bidding	Supporting Documents	Conditions	Dollar Limits
Petty Cash	Small dollar items on a reimbursement basis	No	Approved petty cash slip - original receipt - invoice	Cannot supplant existing Purchase Orders or Contracts	$100 or Under
City Calcard	Small dollar items	No	Purchase Card Log/Statement/ receipts/invoice/ delivery packing slip	Cannot supplant existing Purchase Orders or Contracts	Dept set transaction limits and monthly max card limits
Direct Vendor Purchases	Small dollar items	No	Approved invoice/receipt /check request	Cannot supplant existing Purchase Orders or Contracts	Under $10,000
Purchase Order (PO)	Large dollar purchases requiring bids	Required	Approved requisition/PO/ invoices/receipts	Not to be used for professional services	$10,000 and over
Blanket Purchase Orders (BPO)	Routine repetitive purchases using pre-established vendor	Required	BPOs ID - receipt - invoice - packing slip if delivered	Not to be used for professional services	Subject to established annual limits and dept. approval authority

	arrangements. City ID required at point of sale.				
Contract Purchase Orders (CPO)	Contracted services - either maintenance or professional	See PCA or PSA below	Negotiated and executed Contract	Contracted annual limits and dept. approval authority	City Council approval over$125,000
Purchase Contracts Agreements (PCA)	Routine repetitive purchases using pre-established vendor arrangements	Required	Negotiated and executed Contract and CPO	Contracted annual limits and dept. approval authority	Council approval at $125,000 and over
Professional Service Contract	Professional services based on need - pricing competition encouraged	Recommended	Negotiated and executed Contract and CPO	Contracted annual limits and dept. approval authority	Council approval at $125,000 and over

A more detailed discussion if these purchasing methods follow:

Petty Cash is used for infrequent purchases under $100 requiring immediate funding. Petty cash draws must be supported by original receipts and an approved petty cash form denoting a clear business purpose and budget coding. Petty cash shall never to be used for personal change requests and is only accessible to designated department custodians. Department Director approval is always required. Replenishment requests to Finance require full reconciliation and approval.

Calcards accommodate small dollar purchases under $10,000 and are limited to pre-established monthly maximums. They are issued for use only with department director's approval and the execution of a formal employee agreement. The requirements outlined in the Purchasing Card Policy must be strictly adhered to. Calcards are issued jointly in the City's and employee's name and shall only be used by the employee they are issued to.

Cardholders are responsible for reconciling monthly statements and completing a fully documented and approved transaction log. The proper use of Calcards along with timely payment submittal and complete documentation will be strictly enforced with violations promptly resulting in the revocation of Calcard usage.

Direct Vendor Purchases for one-time purchases that fall under $10,000 and can be submitted for payment using original vendor receipts/invoices. This method should not be used to supplant existing BPO or PCA arrangements. Original vendor receipts/invoices must be marked with a City standard approval and budget coding, be submitted on a timely basis with proper approvals and include a clear/concise description of purpose. With increased volume trends, a BPO or PCA can be established for vendors to use repetitively given proper bidding procedures are followed.

Purchase Orders (POs) facilitate purchases of over $10,000. They follow the submission of a purchase requisition (REQ) to Finance, are subject to bidding either at the informal or formal level (as defined below) and require department director established authorizations.

Blanket Purchase Orders (BPOs) are based on pre-bid agreements with specific vendors. They promote efficiency by simplifying access to routinely needed goods and services.

- The establishment of a BPO requires competitive bidding.
- A BPO has a pre-defined, as coordinated with the requesting department, annual maximum limit tracked by the Finance Department. Purchases shall be supported by identifying BPO ID #, department approvals, original receipts, and invoices prior to payment. Budget/account codes and a clear business purpose shall always be noted.
- Requests to increase annual BPO limits must be approved by the department director and the Finance Director or their designee. BPO activity will be reviewed annually by the Finance Department as a basis for justifying the continuance of any one vendor. It is the requested department's responsibility to rebid periodically (no more than three to five years) to ensure the best possible pricing, service and availability.
- Department directors may request additional BPO vendors by submitting an email to the Finance Department. Criteria for establishing a BPO includes frequency of ordering, the dollar amount of each order and the absence of an established contract.
- Regardless of the annual dollar maximum limit, BPO purchases are subject to the signing authority approvals and transaction limits developed by departments and reviewed by the Finance Department.

Purchase Contract Agreements (PCAs) may be beneficial in establishing firm pricing and an ongoing source of goods and services. This entails entering a multi-year contract. Much like a BPO, these contracts allow departments to access repetitively needed goods and services with minimal procedural overhead.

- The establishment of a Purchase Contract requires competitive bidding based on signing authority thresholds and use of a City-compliant and approved contract. The approvals of the City Manager (for contracts over $50,000), Risk Manager, and Finance Director are required.
- The Risk Manager's approval is required at the initiation of the PCA and annually thereafter if the cost of the initial agreement is modified by over 5% in total.
- Departments may request the establishment of a contract for a particular product or service in coordination with the Finance Department with the submission of a Contract Purchase Order (CPO). Criteria for establishing contracts include frequency of ordering, the dollar amount of each order and barriers to contracting such as insurance requirements.
- A ~~contract CPO must be authorized by the Assistant City Manager, and be submitted to the Finance Department, it must include the agreement executed as an attachment.~~Contract Purchase Order (CPO) must follow the approval thresholds outlined in Exhibit 1A and be submitted to the Finance Department with the fully executed agreement attached.

Cooperative Purchasing Agreements, The City Manager, where advantageous to the City, may, by cooperative purchasing agreements or arrangements, purchase supplies, equipment, and materials through legal contracts of other governmental jurisdictions or public agencies without further competitive bidding by the City. The City may act as the cooperating purchasing agent for other public entities.

Professional Service Contracts are discussed in the following sections of this policy and can only be authorized via an executed ~~formal~~ City-compliant contract approved by the Risk Manager. ~~Although not required by Ordinance, competitive selection and pricing are highly encouraged.~~ Competitive selection and pricing are required in accordance with applicable procurement thresholds and are encouraged for smaller purchases whenever practical. Departments may request the establishment of a professional service contract below the formal threshold, or must request one when required by policy, in coordination with the Finance Department through submission of a Contract Purchase Order (CPO). The CPO must follow the approval thresholds. Approvals ~~of the City Manager, City Attorney (if deemed required), Risk Manager, and Finance Director are required.~~may include the City Manager, Risk Manager, Finance Director, and the City Attorney if legal review is required based on the nature of the contract, as determined by the Risk Manager or Finance Director.

ENVIRONMENTAL PROCUREMENT PRACTICES

SECTION 1. PURPOSE

The City of Los Altos recognizes its responsibility to minimize negative environmental impacts of the City's activities by ensuring the procurement of services and products that reduce toxicity; conserve natural resources, materials, and energy; and maximize recyclability and recycled content while supporting a diverse, equitable, and vibrant community and economy.

The purpose of this policy is to support procurement decisions that align with the City's sustainability standards and goals as identified in the adopted Climate Action and Adaptation Plan (CAAP). This policy is applicable to all departments and divisions, to incorporate environmental considerations including but not limited to recycled-content paper and recovered Organic Waste product use into purchasing practices and procurement.

This section will:

- Provide implementation guidance.
- Communicate the City's commitment to sustainable purchasing to its employees, vendors, and the community.
- Protect and conserve natural resources, water, and energy.
- Minimize the City's contribution to climate change, pollution, and solid waste disposal.
- Empower employees to be innovative and demonstrate leadership by considering sustainability benefits when making purchasing decisions; and
- 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.

SECTION 2. POLICY

Requirements for City Departments or Procurement Practices

A. 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 the 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.
    1. 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).

2. Provide records to the City of all Paper Products and Printing and Writing Paper purchases on a schedule to be determined by the City and not less than annually (both recycled content and non-recycled content, if any is purchased) made by a division or department or employee of the City.

Requirements for Vendors

A. All vendors that provide Paper Products (including janitorial Paper Products) and Printing and Writing Paper to the 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 available at equal or lesser price.

B. All vendors providing printing services to the City via a printing contract or written agreement, shall use Printing and Writing Paper that consists of at least thirty percent (30%), fiber weight, postconsumer fiber, or as amended by Public Contract Code Section 12209.

Compost and SB 1383 Eligible Mulch procurement.

A. Divisions and departments responsible for landscaping maintenance shall:
   1. Use SB 1383 Eligible Compost and SB 1383 Eligible Mulch produced from recovered Organic Waste, as defined in the Glossary section of this Policy, for landscaping maintenance as practicable, whenever available, and capable of meeting quality standards and criteria specified.
   2. Keep records, including invoices or proof of Recovered Organic Waste Product procurement (either through purchase or acquisition), and submit records to the City, on a schedule to be determined by City.
      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

Compost and SB 1383 Eligible Mulch provided to residents. Records shall be maintained and submitted to the City in accordance with the requirements specified in Section 3.

3. When a Direct Service Provider for the City procures compost or mulch, enter into a written contract or agreement or execute a purchase order between the City and Direct Service Provider with enforceable provisions that include: (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, liquidated damages) in the event the Direct Service Provider is not compliant with the requirements.
    a. Renewable Gas procurement (used for fuel for transportation, electricity, or heating applications). For Renewable Gas procurement, Jurisdiction 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 Jurisdiction.
        2. Keep records in the same manner indicated in Section 3 for Renewable Gas procured and used by the Jurisdiction, including the general procurement of record information specified in Section 3, and submit records to the City on a schedule to be determined by the City and not less than annually. Jurisdiction shall additionally obtain the documentation and submit records specified in Section 3 below, if applicable.

SECTION 3. RECORDKEEPING

A. The City 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 the City's documentation of its compliance with 14 CCR Section 18993.3.
    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 the 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.

BIDDING & AUTHORIZATION LIMITS

Competitive bidding promotes fair pricing commensurate with the quality required. The City awards equipment, materials, supplies and maintenance service bids to the lowest priced responsible and suitable bidder. This means that the prevailing bidder is the one who best responds in price, quality, service, fitness or capacity to the requirements of the City. The selection process also considers the ability of the vendor to deliver the needed product, obtain access to available of parts or service, prior experience and system compatibility.

Approval Codes:	Approval Levels	Approving Documents
DH	Department Head	REQ, PO, CPO
DE	Department Head designee*	
FD	Finance Department	
ACM	Assistant City Manager	
CM	City Manager	
CC	City Council	

* *See Signature Authority below*

Dollar Limits	Bidding Requirements	Required Approvals
$10,000 to ~~$50,000~~under $50,000	Informal bids	DH or DE & FD
~~Over~~ $50,000 to under $125,000	Formal bids	DH & FD & ACM & CM
$125,000 and over	Formal published/ advertised bids	**DH & ~~AS~~ACM & CM & CC**

* *Purchases under* $10,000 *do not require bids although approvals are required from a Department Head and/or Designee for all purchases*

- **Purchases from $10,000 to ~~$49,999.99~~ under $50,000** require informal bids by the requesting department with quotes obtained from at least two (2) vendors. Telephone quotes are acceptable although written quotations are preferred. Email quotes are allowed. All quotes must be documented and submitted, in comparative format, as part of the approved requisition (REQ) prior to PO, CPO issuance.
- **Purchases ~~over~~ from $50,000 to ~~$124,999.99~~ under $125,000** require formal bids by the requesting department. This entails the preparation of written specifications, vendor solicitations and sealed bids. The department requested shall contact as many vendors as necessary and obtain at least two (2) written quotes with three (3) quotes recommended. If the minimum number of quotations cannot be obtained, evidence of the attempt should be documented and kept on file. Professional Services are exceptions.
- **Purchases of $125,000 and over** require formal bidding as discussed above but bear the additional requirement of having bid invitations formally published on the City's electronic bid portal, and regional newspaper before sealed bid opening.

The communication of specifications helps ensure that required, ordered and received items meet the desired level of quality, performance or design. Clarity and completeness in writing specifications avoids a mismatch between vendor compliance and operational needs. It is imperative that staff clearly communicate these requirements in the bid process and inform suppliers, at the time of the bid, exactly what it is that the City needs.

The splitting of purchases to avoid bid and authorization limits is a clear violation of these instructions. Furthermore, purchase cost estimates should always include necessary post-manufacturer add-ons and be included in the Bid specifications.

Bid Cancellations - City Council may cancel an invitation for bids, a request for proposal or other solicitations and may reject some or all bids or proposals when it is determined that cancellation or rejection serves the best interest of the City.

Cooperative Purchasing - Where possible, Cooperative Purchasing may be a benefit to the City. With cooperative purchasing, public entities may mutually make purchases, achieving significant economies of scale. Although public entities together prepare specifications and receive bids, each public entity executes its own contract, administers the procurement function and finances the purchase independently.

BIDDING EXCEPTIONS

Sole Source Procurements

Sole source procurements involve good and/or services that can only be practically obtained from one source. Justification will be based on the following:

- The contractor or supplier is the sole provider of the goods or service.
- The contractor or supplier is the only source permitted to provide the service or supply based on the manufacturer's agreement acting as the sole representative in the geographical area.

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 ~~City Manager or Assistant City Manager and Finance Director~~ Finance Director and Risk Manager, along with the Assistant City Manager for review. City Manager approval is required for sole source purchases over $50,000, and City Council approval is required for sole source purchases of $125,000 or more, along with the requisition for approval. Because sole source purchases often involve contracts or services with potential risk, the Risk Manager shall remain in the approval chain for all sole source procurements.

Emergency purchases

For the purposes of this section, an emergency shall be deemed to exist if:

- A public disaster occurs; or
- An emergency is declared by the City Council or City Manager
- There is an immediate need to prepare for national or local defense; or
- There is a breakdown in machinery or an essential service which requires the immediate procurement of supplies and equipment to protect the public health, welfare, or safety; or
- Public health, welfare, or safety would be greatly hampered, if there was an undue delay in the procurement of the needed item

Authority - The City is not required to engage in competitive bidding in an emergency. The City Manager or designee holds the authority to waive any procedures in these instructions that are not statutorily mandated when making emergency purchases of supplies, equipment, materials or services.

If the purchase equals or exceeds $125,000 for construction work, supplies, equipment, materials or services (including professional services), after-the-fact ratification is to be obtained by adoption of City Council Resolution at the soonest possible public meeting following the expenditure.

If, at the time of the emergency, neither the City Manager nor designee are available, department directors may order the needed commodity from the nearest available source.

As they become accessible, the City Manager, designee and Finance Director should be immediately notified of the purchase.

Initiating the Purchase - Emergency purchases can be made by designated staff responsible for the emergency response. Staff should attempt to determine the best price and quality of goods or services available and advise their department director at the earliest possible opportunity. The Department Director is to relay such information to the City Manager or designee promptly.

Finance Department Notification – Soon after placing the order, the Finance Department is to be notified of: (1) of the emergency purchase; (2) the nature of the purchase and emergency; (3) the Department Director or authorized designee approval; (4) the name and location of the vendor; and (5) the City Manager approval pursuant to the procedures outlined above. This information is to be provided via the Emergency Purchase Documentation form.

Emergency Credit Card Limits - In times of emergency, the City Manager and Department Directors may request a temporary increase in individual credit card transaction limits from the Finance Department up to a maximum of $100,000.

Federal Emergency Management Agency (FEMA) - In all cases, the documentation requirements of both the local and federal FEMA agencies are to be complied with as the City's emergency response team is activated. The tracking of work/OT hours by location, position(s) and incident, invoices/receipts and photographs will ensure cost recovery when claims are ultimately submitted.

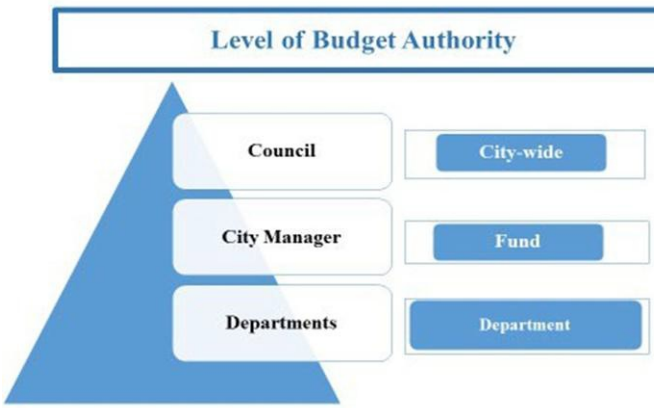
City Council Discretion - In its discretion, the City Council may reject any and all bids only when an emergency requires that an order be placed with the nearest available source of supply, when the amount involved is less than an amount to be set by the City Council by resolution, or when the commodity can be obtained from only one (1) vendor.

BUDGET AUTHORITY LEVELS

Budget Responsibility - The annual budget is an essential element of the financial planning, control, and evaluation process of the City. It is reviewed each fiscal year by the City Council and is designed as a financial blueprint for the City to follow.

Upon adoption, the various amounts approved in the budget are recorded in the City's financial system. Monthly reports are provided to departments, programs or project managers in order to track expenditures activities and compliance with budget limits. It is the responsibility of each Department to maintain control of their budgets.

~~Per fiscal policy,~~ Per Financial Policy, Department Directors have budget control at the total department appropriation level. The City Manager's budget authority is at the Fund and Capital Improvement Project level. This means no Department Director can transfer to/from or utilize the budget of another department – they cannot cross departmental or capital project lines of appropriation. The City Manager may approve transfers between ~~department/programs~~ Departments/Programs and between Capital Improvement Projects, but cannot increase the ~~appropriation limit of any one (1) fund or any one (1) Capital Improvement Project.~~ total adopted appropriation. Any increase in ~~appropriation levels within any one (1) Fund or adopted Capital Improvement Project~~ total appropriation levels, as well as any transfer between funds, must be authorized by the City Council. This authority relationship is as displayed graphically below.

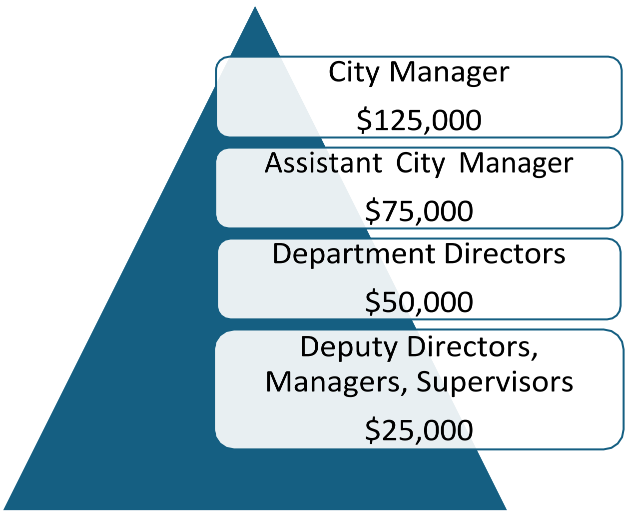


It is critical that all expenditures be coded to the appropriate account classifications during the year without restriction to itemized line-item limits (excluding salary and benefit items and total capital project appropriations). The accurate reporting of expenditure types allows for the refinement of budget variances each year.

SIGNATURE AUTHORITY & APPROVALS

The Finance Department maintains an authorized signatory list, including individual approval dollar limits and areas of responsibility, of employees designated by Department Directors to approve and sign for purchases. Department Directors may delegate signing authority up to a maximum of $25,000 to a Division Manager but must submit such authorization in advance via the signed signatory list previously referenced herein. Overall functional signing limits are established as displayed in the following chart. Purchase requests received by the Finance Department lacking appropriate approval will be returned promptly to the requesting department before any purchase order is issued and/or payments are processed. Any late charges arising from such processing delays will need to be charged against the department budget.

LEVEL OF SIGNING AUTHORITY



Change Orders

The submission of change orders to an existing PO, CPO or PCA can alter the level of approvals required up to, and including, the need for City Council action. The determination of authorization levels should include the total of the purchases including the accumulated value of related change orders.

Information Technology Purchases

All Information Technology (IT) purchases must be approved in advance by the IT Manager or designee to ensure compliance with City hardware and system standards. Similarly, IT is required to be consulted for any planned purchases of software and hardware arising during the budget process and in the development of system specifications. IT cannot make purchases on behalf of the operating department without documentation pre-authorized by the department director. This approval will be documented via the completion of the IT Work-Order form.

Shared Cost Purchases & Payroll Payments

Some shared costs, such as utilities (phone, water, gas, electric, insurance, Software annual maintenance or subscription payments, etc.), fuel, facilities and payroll/benefits deductions (taxes, health benefits, PERS, etc.), require broadly defined processing methods as they are operational in nature and addressed in the budget on a bulk basis. Such payments are held to categorical budget appropriation limits, are centrally processed by the Finance Department, fall outside individual authorizing dollar limits, and are handled in bulk form in the monthly accounting process. These items are reviewed by the Finance Department for completeness, budget compliance and accuracy as they are processed. The basis for these shared cost allocations should be developed by the Finance Director in coordination with the impacted departments and discussed in the annual and mid-year budget process.

Warehouse Orders, Shared Building Supplies & Fuel

Limited items are available for order through the Maintenance Services warehouse. These mostly include janitorial supplies, fuel, office paper, kitchen supplies and can simply be requested via email or phone. They will be charged to the ordering department at the month-end based upon inventory pricing. Supplies delivered to shared cost sites, such as City Hall, will be allocated among benefitting programs on a reasonable basis. Maintenance services shall document these purchases monthly as a basis for financial reporting.

Equipment Purchases Identified in the Budget Process

All new and replacement requests for equipment or vehicles are itemized and submitted to the Finance Department as part of the annual budget process or at the time of mid-year budget review. At budget adoption, these specifically identified items will be considered approved. In procuring these items, departments are to strictly follow the bid and approval procedures set forth herein but may finalize such purchases without returning to City Council. However, City Council approval must be obtained if additional appropriations are required above the original adopted budget or if the nature of the purchase is substantially altered.

FIXED ASSET IDENTIFICATION & TRACKING

Any tangible item with a useful life of at least one (1) year and a purchase cost, including sales tax and incidentals, of $10,000 or more is considered a fixed asset. These items are to be identified by a unique identifying number (ID) and tracked during their lifecycle. Items that do not fit within the dollar threshold for a fixed asset, but are considered valuable, such as cellular phones, cameras or computers should also be identified by a City ID. Departments are responsible for ensuring that unique identifying numbers (serial numbers/VIN #s) are evident in the supporting documentation provided to the Finance Department and for safeguarding City assets, regardless of the value. Departments should expect to account for the asset's condition and location as part of a year-end inventory.

Physical movement of any fixed asset, even within a department, must be approved by Department Directors or designees and coordinated with the Finance Department to ensure that inventories are updated with the proper location. The physical disposal of any fixed asset must be approved by Department Directors and designees and coordinated with the Finance Department and Facilities Division to ensure that inventory listings are updated.

Periodically, the Finance Department or ~~assigned~~ independent auditors ~~will conduct unscheduled audits to trace actual expenditures to physical assets on site. Departments shall accommodate the performance of these audits of asset purchases upon request.~~may conduct periodic spot audits to verify asset inventory records and expenditures. Departments should be prepared to support these reviews as needed.

PROFESSIONAL SERVICES

Professional services include those provided by industry specialists such as lawyers, accountants, actuaries, technology specialists, planning, building, and financial consultants. These services, beyond the realm of public works contracts, are exempt from bidding requirements as their selection is based on expertise, experience and proficiency rather than price. As a matter of practice, the City highly encourages competitive bidding for all service contracts and formal RFPs for contracts with values over $25,000.

Agreements with vendors for services can be for a three (3) year period with up to a two (2) year extension of the agreement to a total of no more than five (5) years. At the conclusion of the five (5) years, it is recommended that the agreement be re-bid to test the price of like services in the marketplace and to provide other vendors with an opportunity to present a bid for services. Agreements posted on the Template drive contain the language needed to state the "term" (length of time) of the agreement. For existing agreements that are ongoing until terminated, consult with the Risk Manager to ensure agreements are revised to include a five (5) year term or proper amendment language.

Managers are to review with the Risk Manager each ongoing software or licensing agreement that exceeds the five (5) year term. These agreements are evaluated on a case-by-case basis for the length of term of the agreement and amendment language.

~~All contracts entered by the City require the City Attorney (review, if requested), City Manager, Risk Manager, Department Director and Finance Director approval. Contracts over the annual dollar limit listed below require City Council approval prior to the award. The City encourages staff to issue requests for proposals (RFP) as a measure of due diligence in competitively seeking and awarding these services.~~All contracts entered into by the City require approvals based on the applicable dollar thresholds. This typically includes the Department Director, Finance Director, and Risk Manager. Review by the City Attorney shall be obtained if required, depending on the nature and risk level of the contract. Contracts over the annual dollar limit listed below require City Council approval prior to the award. RFPs are encouraged as a best practice to ensure competitive selection and transparency.

Value of Non-Legal Professional Services	*Recommended Number of Proposals*	*Required Approvals*
$10,000 to ~~$24,999.99~~under $25,000	The department must conduct an evaluation of options but does not have to obtain written proposals.	Department Director, Finance Director
$25,000 to ~~$549,999.99~~under $50,000	Formal RFP and two (2) written proposals recommended	Department Director, Finance Director
$50,000 to ~~$99,999.99~~under $100,000	Formal RFP and two (2) written proposals recommended	~~City Attorney,~~ Department Director, Finance Director, City Manager, and City Attorney if legal review is required
$100,000 and over	Formal RFP and two (2) written proposals recommended	~~City Attorney,~~ Department Director, Finance Director, City Manager, City Council, and City Attorney if legal review is required

Value of Legal Services	*Recommended Number of Proposals*	*Required Approvals*
Up to Annual Budgeted Appropriation for Legal Fees	City Attorney to evaluate needs based on expertise	City Attorney, Finance Director, City Manager
Above Fund Level Budgeted Appropriation	City Attorney to evaluate needs based on expertise	City Council

** Services under $10,000 do not require bids although approvals are required from a Department Director and/or designee for all purchases.*

Legal Fees

The Los Altos Municipal Code establishes that the City Attorney "may retain or employ other attorneys, assistants or special counsel as may be needed to take charge of any litigation or legal matters or assist the City Attorney therein provided.

The City Attorney estimates these costs at the preparation of the budget on a gross basis. Such payments are held to categorical budget appropriation limits, and are centrally processed by the Finance Department, and therefore fall outside individual authorizing dollar limits, and are approved by the City Manager. These items are reviewed by the Finance Director for completeness, budget compliance and accuracy as they are processed.

Changes in the scope of existing contracts may trigger a higher level of required approvals.

Professional Services must be initiated and approved via the use of a CPO. Professional Services shall be entered into contractually using a City-compliant executed contract and require the approval of the Risk Manager.

Professional Service Travel Costs - Professional service firms often bill clients for their direct and indirect costs, such as travel, photocopying, proposal preparation, etc. It is advisable that potential providers are informed of, and make documentation available in support of, the City operating travel policies including the following:

- Airfare: The City will not reimburse first class, business class, boarding preferences or other premium types of transportation.
- Hotel: The City will reimburse reasonable hotel accommodation (i.e., single or double rooms, but no suites) and encourage obtaining a government rate in a local venue.
- Meals: Reimbursement for meals is limited to the current IRS per diem rate for the destination city.
- Car Rental: Rental vehicles shall be mid-sized class or smaller with rates commensurate with those offered by major rental companies. Use of luxury cars, specialty vehicles, or other non-standard cars will not be reimbursed. Insurance will be provided under the driver's or company's own policy. Additional insurance coverage offered by the car rental company is not reimbursable by the City.
- Entertainment/Personal Services: Under no circumstances are expenses related to entertainment (i.e., theater tickets, sporting events) or personal services (i.e., dry cleaning, haircuts) reimbursable.
- Deliveries/Transmittals: Deliveries for which the City is billed will be transmitted in the most economical manner reasonably, unless otherwise required by the City.
- Proposal Costs: The City will not reimburse the vendor for any costs associated with the preparation of a proposal.

ADDITIONAL GUIDANCE

FISCAL YEAR-END CUT OFF

The City’s fiscal year runs from July 1 to June 30. To allow for adequate processing time certain types of purchases must be completed well before the end of the fiscal year. While exact calendar dates may vary, the cutoff for submitting purchasing paperwork is generally as follows:

- **Requisitions & Purchase Orders:** 2nd week of June
- **Blanket Purchase Orders:** Orders to be placed by June 30

SUPPLIER CONTACT AND DECORUM

Staff are obliged to always act in a professional and ethical manner when in contact with suppliers who market their services to the City. To this end, we strive to:

- Give all suppliers full, fair, prompt and courteous consideration
- Maintain a level playing field and information transparency
- Protect vendor confidentiality when dealing with market-sensitive data
- Solicit suggestions in determining clear and adequate specifications and standards
- Effectively coordinate with suppliers in an equitable and uniform manner
- Observe truthfulness and highest ethics in all transactions and correspondence

It is important to treat all vendors equally. This includes providing all competing vendors with the same information needed to respond to a request. It is unfair and unethical to divulge one vendor's bid price, terms or conditions to another during the competitive bidding stages and important to realize that this information is not publicly accessible until all bids have been received and evaluated. Information marked "Proprietary" or "Confidential" by the vendor is not considered public and must not be revealed to outside parties. The appearance of impropriety is just as important as actual impropriety. Displays of favoritism to a particular vendor should be always avoided.

Gratuities - To maintain strict objectivity and the highest ethical standards, the City prohibits employees accepting vendor gifts or gratuities. Violation of this standard may result in employee disciplinary action up to, and including, termination.

Insurance - It is the City's practice to transfer as much risk as possible from the City to the supplier or contractor. Therefore, insurance is required from any contractor performing work for the City. This is especially the case for services provided on City property. In these cases, the standards and insurance requirements set forth by the Risk Manager must be adhered to. The City's minimum insurance standards to be complied with are included in this document.

Taxes - The City pays sales or use tax on most purchases as defined by Santa Clara County. This amount is added to the taxable subtotal of your order (certain items such as labor or transportation may or may not be taxable). Use tax, which is equivalent to the sales tax rate, is collected on many out-of-state purchases where the state originating the sale does not collect California State sales tax on behalf of the State. It is important to identify the applicability of Use Tax in bidding to avoid unintentional budget overrun. The City is exempt from paying Federal Excise Tax.

Shipping and Installation Costs - In developing, accepting and evaluating good and material bids, it is incumbent on City staff to ensure that costs include any related shipping and/or installation costs and request such information from the subject vendors. In all cases, developing the full costs of purchase is critical to the budget process.

Payments Terms & Frequency - ~~The City's payment terms are Net 30 days from billing/invoice date.~~ While the City's standard payment terms are Net 30 days from the invoice date, actual processing follows a weekly payment cycle. Vendor agreements should be established using this standard and clearly communicated to them. A vendor's inability to adapt to the City's payment terms may make them ineligible for use. Generally, the City will not pay late fees.

Conflict of Interest/Third Party Transactions - To maintain public trust and confidence in the integrity of purchasing transactions, no City employee who has a real or apparent conflict of interest should participate in the transaction.

Establishing New Vendors - One element of fiduciary responsibility is maintaining strict control over the open accounts established under the City's name. Therefore, the City has instituted a practice whereby Finance has control over creation of all new vendor accounts and the submission and completion of credit applications for open accounts. W-9s are required for all new vendors without exception.

Grant Funding - Federal or other grant programs may require special conditions which are more stringent than City procedures. It is the responsibility of the department to accept the grant on behalf of the City to ensure that all grant provisions are complied with. All grants shall be awarded with City Council approval.

Surplus Property Management - the Facilities Division is responsible for the disposal of all City surplus property via auction. Information Technology should be contacted to disconnect or dispose of computers and related hardware.

The City maintains a small inventory of serviceable surplus property items that may be acceptable for use upon request by a department. City staff or family members are not eligible to purchase City surplus property. Staff may, however, attend any third-party public auction and bid as a member of the public.

Public Safety handles property room disposals directly through a safety-specific auction process and coordinates revenue collections associated with the Finance Department.

Independent Contractors - The Internal Revenues Service (IRS) and the California

Employment Development Department (EDD) require independent contractors to provide a W-9 form to the City including the business type (sole proprietor, corporation or partnership) and documenting a taxpayer identification number (Social Security or federal identification number). Finance must receive the W-9 when a requisition or invoice is processed for a new vendor. Failure to provide this form will result in non-payment of an invoice or delaying processing of a requisition.

Other Jurisdiction BPO or Purchase Contract Agreements (PCA) - Staff may use BPOs or PCAs issued by other jurisdictions entered competitively if it is shown that the selection criteria are essentially the same as would be used by the City. Examples include Santa Clara County BPA for furnishings or awarded unit price schedules for slurry seal or sidewalk repairs.

Prohibited Practices

No City employee shall use or misrepresent the City's purchasing process to obtain property or services for personal use, benefit or personal price discounts. Volume or incentive discounts made available in making City purchases can only be applied to the City's benefit and never personal gain.

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 procurements.

PUBLIC WORKS PROJECTS

Public Projects are defined by the State of California Public Contract Code, Section 20161 as a project for the erection, improvement, painting, or repair of public buildings and works; work in or about streams, bays, waterfronts embankments, or other work for the protection against overflow; street or sewer work except maintenance or repair; supplies and materials for any such project, including maintenance or repair of streets or sewers. These purchases are controlled directly by the related Public Contract Code sections and fall outside the operational purchasing cycle addressed in this policy.

Pursuant to Chapter 3.16 of the Los Altos Municipal Code, the City of Los Altos has adopted Bidding Procedures Under the Uniform Public Construction Cost Accounting Act. Requirements and allowances associated with this can be found in the Municipal Code.

GLOSSARY

Bid: A proposal to provide goods and services submitted in accordance with the request for bid documents.

Bidder: A person or entity who submits a bid.

Blanket Purchase Order (BPO): A method by which departments may purchase materials from a specific vendor continuously throughout a specified time. Orders for materials not available from BPO vendors can be purchased by petty cash, credit card, purchase contract, or through the purchase requisition/purchase order process as described within this document.

Change Order: An amendment to an original purchase order authorizing a change in the scope of work; adjustment in the contract sum or contract time; or cancellation of parts or all of a purchase order.

Check Request: The form is used to request that Finance process payment to a vendor or contractor. The form accommodates several uses, including Direct Payments, Blanket Purchase Order payments as well as partial payments against existing purchase orders and contracts.

City: The City of Los Altos, the City Manager, or their designee.

Compost (SB 1383 Eligible): 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).

Contract: An agreement between two or more parties to do something which is set forth in writing and is enforceable by law.

Contract Purchase Order (CPO): The document used by departments to document the request professional services and supported by a formal executed city compliant contract approved by the Risk Manager. A CPO, on its own, does not support authorization to purchase. A CPO shall always be accompanied by an executed formal contract and is authorized by the Assistant City Manager.

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.

Direct Service Provider: A person, company, agency, district, or other entity that provides a service or services to the City pursuant to a contract or other written agreement or as otherwise defined in 14 CCR Section 18982(a)(17).

Electricity Procured from Biomass Conversion: Electricity generated from biomass facilities that convert recovered Organic Waste, such as wood from the municipal stream, into electricity.

Informal Bid: A proposal to provide materials, supplies ~~and/or~~, or maintenance services ~~in amounts under $75,000 in estimated value. Responses are generated from City requests and bids should be obtained by written quotes although phone quotes may be acceptable for certain items.~~valued between $10,000 and under $50,000. Informal bids typically require at least two (2) written quotes, though verbal quotes may be acceptable if documented. Used for non-complex purchases where sealed bidding is not warranted.

Formal Bid: A proposal ~~to provide materials, supplies and/or maintenance services equal to or exceeding $75,000 in estimated value. A sealed formal bid is submitted in response to the City's Request via a Request for Proposal and may require advertised publication based upon defined dollar limits.~~for goods, services, or projects valued at $50,000 or more. For purchases from $50,000 to under $125,000, formal bids must be solicited from vendors, with written proposals recommended. For purchases of $125,000 and above, formal bids must follow the published/advertised sealed bid process, including public notice and competitive solicitation.

Organic Waste: Solid waste 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 defined in 14 CCR Section 18982(a)(4) and 14 CCR Section 18982(a)(16.5), respectively.

Packing List: A list of supplies requested which includes stock number, item description, quantity requested, and number of items delivered.

Paper Products: Includes, but is 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).

Petty Cash: Small dollar reimbursements ($100 or less) made from cash boxes held within departments.

Printing and Writing Papers: Includes, but is 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).

Professional Service: A specialized type of service typically provided by those requiring extensive education, certification, and experience standards. Examples of professional services contracts include, but are not limited to, those of accountants, actuaries, appraisers, architects, attorneys, brokerage firms, business consultants, business development managers, copywriters, dentists, distributors, engineers, law firms, physicians, public relations professionals, recruiters, researchers, real estate brokers, translators, software engineers, value-added resellers and web designers. While not limited to those holding professional licenses, the services are considered "professional", and the contract may run to partnerships, firms, or corporations as well as to individuals.

Purchase Contracts: Contracts for routine and repetitive maintenance services typically for the maintenance of landscaping, office machines, office supplies, janitorial services, building maintenance, and street sweeping.

Purchase Order (PO): The document that obligates the purchase of goods or maintenance services that are not available from a BPO; an existing purchase contract; and is above the limit for procurement as a direct vendor payment.

Purchase Requisition: The document used by departments to request goods or maintenance services that are: not available through a BPO; not available on an existing purchase contract; and is above the limit for procurement as direct vendor payment.

Quality: The extent to which the actual minimum needs of the end users are satisfied.

Recovered Organic Waste Products: 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.

Recyclability: 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).

Recycled: Content Paper Products and Recycled-Content Printing and Writing Paper: 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.

Renewable Gas: 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).

Request for Proposal (RFP): Used to request information and pricing from contractors or suppliers. Typically, RFPs are utilized for non-commodity type items where the expertise of the contractor is vital criteria in the selection process. While price/cost is an important component of the selection process, it is not the only factor in the selection process.

SB 1383: 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.

SB 1383 Regulations or SB 1383 Regulatory: 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.

SB 1383 Eligible Mulch: 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.

Service Contract: A service contract means a contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply. A service contract may cover services performed by either professional or non-professional personnel whether on an individual or organizational basis.

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.

Specifications: A complete and accurate statement or set of statements covering the physical, functional, or technical characteristics of goods or services needed, description of any requirements for inspecting or testing and performance standards for items sought. It may also include provisions which govern various aspects of parties to the contract and any special conditions or pre-conditions that exist relative to any goods or services being solicited.

State: The State of California.

Maintenance Services: Services typically dealing with operational maintenance, supplies, and equipment support, rather than specialized professional services described above.

Vendor: A person or company who provides goods or services. A vendor can also be referred to as a supplier or direct service provider.

EXHIBIT

PURCHASING BID AND AUTHORIZATION CHART

MATERIALS - GOODS - MAINTENANCE SERVICES		
ORDER TYPE	**COST POINT**	**FEATURES**
Materials, Goods, Maintenance Service	Less Than $10,000 (No Bids Required)	Prudent judgment should be used along with obtaining comparative pricing whenever practical. Orders require department director or designee approval.
These include supplies, equipment, operating or maintenance services and projects. Excludes “Public Works Projects” and "Professional Services"	**$10,000 to ~~$50,000~~under $50,000 (Informal Bid)**	At least two (2) quotes are required but three (3) are recommended. Written bids/quotes are preferred but may be verbal with documentation. ~~City Manager and Department head approved Purchase Order (PO) required. City Attorney approval, Risk Manager approval, and CPO required for contracts.~~Required Approvals: Department Head or Designee & Finance Director (DH or DE & FD). Risk Manager approval and CPO required for contracts. City Attorney review is required only if needed based on the nature of the contract.
	Over $50,000 to $125,000 (Formal Sealed ~~Formal~~ Bid)	Obtain at least two (2) formal quotes three (3) recommended with bid publication for purchases of ~~$10,000~~$50,000 or over. ~~City Manager and Department Director approved Purchase Order (PO) required. City Attorney approval, Risk Manager approval, and CPO required for contracts. City Council approval is required before award.~~Required Approvals: Department Head, Finance Director, Assistant City Manager, and City Manager (DH, FD, ACM, CM). Risk Manager approval and CPO required for contracts. City Attorney review is required only if needed based on the nature of the contract.
	~~$100,000 or more~~Over $125,000 (~~Published Advertised~~Formal Published/Advertised Sealed Bid)	

	Materials, Goods and Maintenance Service contract costs of any dollar value must adhere to pre-defined signature approval limits. All Information Technology (IT) purchases require the approval of the IT Manager for network compliance. Any IT Purchase for a service department must be authorized via an IT Work Order authorized by a department head or designee.

EXHIBIT

PURCHASING BID AND AUTHORIZATION CHART

PROFESSIONAL SERVICES		
ORDER TYPE	**COST POINT**	**FEATURES**
Professional Services	$0 to $25,000 (RFP Highly Recommended)	Prudent judgment should be exercised and obtaining comparative pricing if practical. Orders require department head or designee approval. Price proposals are not required but three are recommended and must include a ~~City Manager, City Attorney, Department Head and Finance Director~~Department Head and Finance Director approved CPO and service contract, with Risk Manager approval and City Attorney review only if required based on the nature of the contract.
These services include those of a highly technical nature requiring extended training and certification. Include legal, accountancy, technology and specialty consulting services. These are general guidelines. The evaluation and selection of consultant services may vary on a case-by- case basis.	Over $25,000 (RFP Required)	RFP required with three (3) bids are encouraged and must include a ~~City Manager, City Attorney, Department Head, Finance Director and City Council- approved (Over $100,000), or City Council authorized,~~Department Head, Finance Director, Risk Manager, and City Manager-approved CPO and service contract. City Council approval is required for contracts of $100,000 and over. City Attorney review only if required based on the nature of the contract; CPO and service contract.

EXHIBIT

EMERGENCY PURCHASE FORM – EXAMPLE

Emergency Date	
Cost	
Department/Division	
Vendor	
Address	
Telephone	
Emergency Description	

Describe Emergency:

Since emergency purchases do not normally provide the City an opportunity to obtain competitive quotes, it is important to keep these types of purchases to those necessary. The following procedures shall be followed by the emergency:

- Complete a requisition and obtain a purchase order within three days of the emergency.
- Notify City Manager and Finance of emergency costs greater than $5,000.
- Notify City Council at the next regularly scheduled meeting of emergency costs greater than *$75,000*,
- If Emergency purchases cause line-item budget shortfalls, the department responsible shall:
- Obtain City Council approval for additional appropriation; or request that the City Manager transfer appropriations from other programs, within the same Fund, to cover the purchase.

EXHIBIT

MINIMUM INSURANCE REQUIREMENTS

Minimum Scope of Insurance as related to the provision of service to the City

CONSULTANT shall provide his insurance broker(s)/agent(s) with a copy of these requirements and request that they provide Certificates of Insurance complete with copies of all required endorsements to: Project Manager, City of Los Altos, 1 N. San Antonio Rd., Los Altos, CA 94022

Minimum Scope of Insurance Coverage shall be at least as broad as:

1. Commercial General Liability (CGL): Insurance Services Office Form CG 0001 covering CGL on an "occurrence" basis, including products-completed operations, personal & advertising injury, with limits no less than $1,000,000 (or $2,000,000) per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability: Insurance Services Office Form Number CA 0001 covering, Code 1 (any auto), or if Consultant has no owned autos, Code 8 (hired) and 9 (non- owned), with limit no less than $1,000,000 per accident for bodily injury and property damage.
3. Workers' Compensation insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than $1,000,000 per accident for bodily injury or disease.
4. Professional Liability (Errors and Omissions) Insurance appropriate to the Consultant's profession, with limits of no less than $1,000,000 per occurrence or claim, $2,000,000 aggregate.

Other Insurance Provisions. The insurance policies are to contain, or be endorsed to contain, the following provisions:

- Additional Insured Status. The City, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy, with endorsements under CG 20 26, with respect to liability arising out of work or operations performed by or on behalf of the Consultant including materials, parts or equipment furnished in connection with such work or operations.
- Primary Coverage. For any claims related to this contract, the Consultant's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City,

its officers, officials, employees, or volunteers shall be an excess of the Consultant's insurance and shall not contribute to it.

- Notice of Cancellation. Each insurance policy required above shall be endorsed to state that coverage shall not be canceled except after thirty (30) days' prior written notice (10 days for non-payment) has been given to the City.
- Waiver of Subrogation. Consultant hereby grants to City a waiver of any subrogation which any insurer of said Consultant may acquire against the City by virtue of payment of any loss under such insurance. The consultant agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether the City has received a waiver of subrogation endorsement from the insurer.
- Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City. The City may require the Consultant to provide proof of the ability to pay losses and related investigations, claim administration, and defense expenses within the retention.
- Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City.

Claims Made Policies. If any of the required policies provide claims-made coverage:

5. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
6. Insurance must be maintained, and evidence of insurance must be provided for at least three (3) (or five (5)) years after completion of the contract work.
7. If coverage is canceled or non-renewed and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Consultant must purchase "extended reporting" coverage for a minimum of three (3) years after completion of contract work.

Verification of Coverage. Consultant shall furnish the City with original certificates and amendatory endorsements affecting coverage required by this clause. All certificates and endorsements are to be received and approved by the City before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Consultant's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

Special Risks or Circumstances. City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

PLEASE NOTE: See the City Template General Service and Contract Agreements posted in the Templates Folder online. Check for periodic updates and other provision requirements.

Assistance is available from the Risk Manager.

Requesting departments are responsible for verifying insurance coverage requirements with Risk Management as these parameters may be modified periodically. It is equally important to reference the TEMPLATE General Service and Contract Agreements posted on the Templates folder online and supplied by Risk management while preparing RFPs and finalizing agreements. Departments must attain insurance documents from the vendor prior to execution of the agreements/contracts.

EXHIBIT

PURCHASE CARD POLICY

Commented [C1]: This entire Cal-Card Exhibit was replaced with an updated version effective May 2026. Key updates include: a $10,000 monthly cardholder limit, a two-month reconciliation enforcement rule (card may be locked/suspended after two consecutive missed deadlines), an excessive-lost-receipts threshold (more than two in six months), additional prohibited categories (unauthorized travel and fines), specific lost/stolen reporting number (1-800-344-5696) and email (calcard@losaltos.gov), and a restructured Employee Agreement form with Section 1 (apply) and Section 2 (pick up). Replacing the entire Exhibit rather than redlining line by line is intended to keep the review readable; the prior version is available for comparison upon request.

OVERVIEW

The City has implemented Purchase Cards (CalCard) based on the State-wide "CalCard" program. The program is designed to establish a more efficient and cost-effective method of purchasing and paying for small dollar City purchases. This program should minimize the need for voluminous blanket/open purchase orders and petty cash requests.

This document puts forth the practices and procedures required of those using Calcard and those who manage their use. The topics addressed in this policy follow:

- Responsibility
- Requesting CalCard
- CalCard Basics
- Spending Limit
- Prohibited Purchases
- Purchase Documentation
- Revocation of Privileges
- Emergency Purchases
- Reconciling Statements
- Disputed Charges
- Returning Items
- Lost or Stolen CalCard
- Declined Purchase
- Review & Audits
- Invoices & Receipts
- Purchase Card Employee Agreement

RESPONSIBILITY

Department Heads: Responsible for authorizing individuals within the Department to receive CalCard and designated approvers. Department heads must approve individual requests for CalCard and make any changes to them. Department heads are ultimately responsible for ensuring the cards' proper use in conformance with City practices and procedures.

Designated approvers: Designated approvers are selected and authorized by Department heads, responsible for reviewing monthly statements and submitting them to Finance in complete form. These approvers are responsible for ensuring that cardholders track and report any disputed/unauthorized charges to “CalCard” and to Finance. Individual Department Head CalCard statements and transaction logs will be reviewed by the Finance Director and City Manager.

- Read and be fully aware of the requirements of this document and the City’s Purchasing Policy
- Read and execute an approved Purchase Card Employee Agreement.
- Maintain secure possession of the CalCard and keep the account number confidential.
- Ensure that all purchases strictly comply with City instructions.
- Obtain the best possible value for the City with CalCard purchases.
- Never give a CalCard to anyone for use.
- Always retain and maintain original records of receipts.
- Promptly reconcile monthly statements and provide a complete Purchase Card Log including supervisor/department head review and approval. This documentation must be submitted to Finance, along with all supporting original invoices/receipts and packing slips (if shipped), within ten business days after the statement is received.
- Purchases made on behalf of another department, although uncommon, must be authorized by an authorized signer from the department being charged prior to submission to Finance.
- Promptly resolve disputed items since only authorized charges will be paid. Disputed items may be suspended pending resolution by the department responsible. Failure to pay charges on a timely basis will result in card suspension. Any late fees that result from such delays will be charged to the department budget.
- Immediately call “CalCard” if a card is lost or stolen and notify Department supervisors and Finance.
- Resolve all incorrect charges and product returns as quickly as possible.
- Return the CalCard to Finance upon the request of a supervisor, suspension of privileges, or termination of employment.

Finance: Responsible for administering the program, activating and terminating CalCard, and maintaining a record of individuals authorized to conduct purchase card transactions. Finance is also responsible for processing monthly payments.

REQUESTING CALCARD

To apply for a CalCard, the Department head should send an email request to Finance and ultimately submit an approved Purchase Card Employee Agreement (Exhibit 2) specifying an individual purchase limit as well as a total monthly limit. Total monthly limit should not exceed $10,000.

CALCARD BASICS

CalCard are to be used exclusively for City business. They are Visa credit cards that work just like a personal credit card except that monthly charges are paid directly by the City.

CalCard purchases are held to individual transactional limits set by Department heads and to the small dollar purchase limit established by City purchasing policy. Department heads also set a total monthly dollar limit for each individual cardholder. Each time the card is used, an electronic process verifies that the purchase is within these limits. If the purchase violates these limits, the supplier will not accept the order.

CalCard will be issued in an employee's name, bear a "City of Los Altos" imprint and display a unique color scheme to distinguish them from personal credit cards. Cardholders are directly responsible for the proper use of their cards and department heads for the management and review of those they have authorized.

Monthly statements will be sent to cardholders for verification of charges against invoices/receipts, coding of appropriate budget accounts, and approval by an immediate supervisor and department head or designee. Finance will receive a full set of statements. Monthly statements for cards held by Department heads are to be reviewed and approved by the City Manager and/or their designee.

The effectiveness of the CalCard program is dependent on the timely review, processing and submission of approved monthly transactions. Providing timely, accurate and complete purchase documentation is critical. Use of such cards is a privilege that provides a valuable alternative purchasing mechanism and requires strict adherence to established practices. Non-compliance with the City Purchasing Policy will result in card revocation and/or disciplinary action.

SPENDING LIMITS

CalCard purchases shall be subject to individual transaction limits approved by Department Heads and must comply with the City's small-dollar purchasing threshold of less than $10,000. In addition, Department Heads shall establish a total monthly limit for each cardholder.

30-Day Monthly Transaction Limit

- Cardholder spending limits may be modified only on an as-needed basis and must receive prior approval from the Department Heads or their designee.
- To request a change in a cardholder's spending limit, the cardholder must submit a properly approved Purchase Card Employee Agreement to calcard@losaltosca.gov, along with a memorandum providing a brief justification for the requested change and specifying the proposed new limit.

PROHIBITED PURCHASES

Purchases made shall be strictly for City of Los Altos business. CalCard cannot be used for:

- Personal use and entertainment
- Cash advances or refunds
- Per diem and mileage advances
- Any transaction exceeding the Department Head's established limit or the approved purchasing card limits—the level at which a purchase requisition and purchase order are required
- Professional services, except for industry-wide training services (such as seminars).
- Purchases prohibited by the City's Purchasing Policy
- Unauthorized travel-related expenses
- Fines
- Splitting purchases to circumvent the dollar limit

PURCHASE DOCUMENTATION

- Always get an original invoice/receipt from the supplier.
- If paying for a conference or seminar, the original registration form and/or certification of completion must be provided.
- For non-conference business meals, the itemized restaurant receipt indicates purchased items should be provided.
- For subscriptions, keep a copy of the renewal notice or initial subscription request.
- In the case of internet purchases, provide a copy of the E-commerce receipt.
- In all cases, items being shipped or picked up at point-of-sale must be supported by a delivery packing slip with approval from Department Head.

If placing an order by phone, mail, or fax, or on the internet:

- Instruct the supplier to include your name, department, and address on the shipping label
- Instruct the supplier to include a receipt and delivery packing slip (charge slip, invoice,

or cash register receipt) with the package.

- Verify the order is correct upon delivery, sign the packing slip and have another member of the receiving Department inspect and sign the packing slip as well.
- Retain the original invoice/receipt/packing slips for reconciliation and substantiation.

REVOCATION OF PRIVILEGES

Failure to follow established City purchasing procedures or the improper use of CalCard will result in one or more of the following consequences:

- Suspension of card privileges
- Disciplinary action, up to and including termination of employment

There may also be criminal and civil consequences related to misuse of public funds and potential action by the bonding company that provides the City's blanket employee bond.

Your account can be canceled for:

- Failure to exercise reasonable care in safeguarding the CalCard from loss or unauthorized uses
- Failure to meet the monthly reconciliation submission deadline for two (2) consecutive months, which may result in the CalCard being locked or suspended
- Making improper or unauthorized purchases
- Excessive lost receipts, defined as more than two lost receipts within a six-month period
- Failure to comply with the intent, requirements, and provision of the CalCard Policy
- Splitting purchases to circumvent CalCard limits or authorization requirements
- Determination by the Department head that there is no longer a business purpose

Your account will be canceled immediately upon separation from the City, or if the card is intentionally used for personal purposes or shared with unauthorized users.

EMERGENCY PURCHASES

Finance management can approve a temporary increase in CalCard transactions and monthly limits in the event of an emergency as defined in the City's purchasing instructions. Such increase requests can be directed to Finance by Department heads and/or the City Manager. Emergency purchases will still require the retention of supporting invoices/receipts/packing slips as a basis for payment and grant assistance recovery.

RECONCILING STATEMENTS

CalCard statements are mailed directly to the departments and are also available for download through the U.S. Bank online system. Immediately upon receipt, the cardholder must verify the accuracy of the statement by comparing charges to supporting invoices/receipts. The review shall encompass the following items:

3. The reconciled CalCard statement, verifies that statement charge amounts do not exceed or differ from receipt amounts.
4. Any items on the statement that were not purchased, received, or supported by a packing slip (if applicable).
5. Original invoices/receipts (in the order they appear on the statement) submitted to the designated approver for review and signature.
6. If a receipt has been lost, a memorandum (T drive) documenting the description and amount of the charge.
7. The Card Activity Report signed by the cardholder and the approver, including the appropriate budget/expense account codes.
8. Department Heads are responsible for ensuring that reconciled and approved statements for all cardholding employees, including invoices/receipts, are submitted to Finance within ten (10) business days of mail delivery.

DISPUTED CHARGES

If an item on the monthly statement is incorrect, the cardholder should call the supplier immediately to resolve the problem and inform his/her designated approver. CalCard should also be contacted to file the proper file dispute form if necessary. Additionally, Finance should be notified of these disputes as statements are submitted.

RETURNING ITEMS

For an over-the-counter purchase, return the item directly to the supplier and obtain a credit receipt. Requesting a cash refund is not allowed.

If the purchase was made by internet, phone, mail, or fax:

- Contact the supplier for return instructions.
- Get a return reference number from the supplier or credit number.

Be sure to check subsequent statements to verify credit received for the returned items.

LOST OR STOLEN CALCARD

- Reporting Lost or Stolen CalCard: 1-800-344-5696 (24 hours/7 days a week)

- Inform your designated approver and Finance Department: calcard@losaltos.gov.

DECLINED PURCHASE

If a supplier purchase is declined, contact CalCard, and your designated approver to inquire about the reason for the decline. This may be an indication of an exceeded transaction limit, monthly limit, unauthorized purchase category, or simply a processing error.

REVIEW & AUDITS

All accounts are to be reviewed at the Department level and audited regularly as part of the annual interim and year-end audit process. Finance will conduct unscheduled audits of credit card transactions and request specific identification of tangible goods purchased.

INVOICES & RECEIPTS

Supporting original invoices/receipts/packing slips are required without exception before payment can be made. If the supplier does not provide an invoice/receipt/packing slip at the time of transaction or delivery, you must contact the supplier and request replacement documentation. Failure to provide the required documentation may result in non-payment of the charge. Any resulting late fees or penalties shall be charged to the benefiting department.

EXHIBIT

PURCHASE CARD EMPLOYEE AGREEMENT

Section 1: Completion of this section is required when applying for a new Cal Card.

This section must be fully completed, signed by the applicant and the Department Head, and returned to Finance for processing.

You are entrusted with a City of Los Altos purchasing card, issued based on your official need to acquire supplies, equipment, and materials for the City. The City may revoke this card at any time, and its issuance does not confer any rights or entitlements based on your position. Your signature below acknowledges that you have read this Agreement and agree to comply with its terms.

I understand that I will be making financial commitments on behalf of the City of Los Altos and will obtain the best value for the City.

I have read, understood, and agree to follow the policies and procedures described in the City's Purchasing Instructions. I agree that under no circumstances will I use the purchasing card to make personal purchases, either for myself or for others.

I understand that the purchasing card will be issued in my name and "City of Los Altos." Personal use of the card is strictly prohibited. Any unauthorized or personal charges must be reimbursed to the City, including related fees.

The purchasing card remains the property of the City and is subject to all applicable internal control and verification requirements, including production of the card upon request. I will immediately notify Cal Card and the Finance Department in the event the card is lost or stolen.

I am responsible for all charges, for reconciling monthly statements within ten days of the bank's statement received, and for submitting approved statements with original receipts to Finance. If I fail to meet the monthly reconciliation submission deadline for two (2) consecutive months, the Cal Card will be locked or suspended.

I agree to surrender the purchasing card immediately upon request by the Program Administrator or upon termination of employment with the City of Los Altos, regardless of the reason.

I understand that failure to comply with the requirements of the Purchase Card Instructions may result in the revocation of card privileges and other disciplinary actions, including employment termination.

Print Employee Name	Employee Signature	Date
Dept. Head Signature	Print Name	Date

Single Purchase Limit $__________________ Total Monthly Limit $__________________

Section 2: Completion of this section is required only if the Cal Card is ready to be picked up.

I certify that all purchases charged to Cal Card, unless annotated to the contrary, are true, correct and for official business only. Payment is authorized.

Cal Card Number	Print Name	Employee Signature	Date Pick Up

Financial Commission Staff Report

Meeting Date: May 18, 2026
Prepared By: Jon Maginot

Subject: Communication Strategy Ad Hoc Committee Report

RECOMMENDATION

Receive a report from the Communication Strategy Ad Hoc Committee

BACKGROUND

The Communication Strategy Ad Hoc Committee was established to discuss and propose methods for the City to communicate the City's financial position and to highlight its efforts in fiscal planning.

DISCUSSION

Members of the ad hoc committee will present information regarding the topic at the May 18, 2026 Financial Commission meeting.

ATTACHMENTS

1. Attachment 1 - Subcommittee presentation

City of Los Altos

Community Communication Strategy

Sharing Our Financial Success with Los Altos Residents

March 16, 2026

Finance Commission Presentation

Why Communicate Our Financial Success?

Build Trust

Transparent communication demonstrates responsible stewardship of taxpayer dollars

Inform Residents

Help our community understand where their tax dollars go and the results we achieve

Counter Misconceptions

Proactively share successes before negative narratives take hold

Los Altos has a compelling, verified story to tell.

Building Financial Resilience: Reserves

FY 2023-24

Audited

$27.8M

Unassigned Balance

57.7% of expenditures

FY 2024-25

Adopted

$11.08M

Emergency & Operating Reserve

20% policy maintained

FY 2025-26

Adopted

$17.2M

Unassigned Balance

50% operating reserves

Note: Reserve definitions vary by fiscal year. FY 23-24 shows ACFR unassigned fund balance. FY 24-25 shows Emergency & Operating Reserve per policy. FY 25-26 shows projected unassigned balance.

Sources: FY 2023-24 ACFR; FY 2024-25 & FY 2025-26 Adopted Budgets

Recognition for Excellence

GFOA Distinguished Budget Presentation Award

Government Finance Officers Association recognition for meeting the highest principles of governmental budgeting

FYB 2023

CSMFO Excellence in Operating Budget Award

California Society of Municipal Finance Officers recognition for budget excellence

First-Time Winner

Additional Achievements

- Zero-based budgeting methodology — First full year FY 2023-24
- FY 2024-25 includes $20.1M CIMMP appropriation within 5-year (FY 2025-29) capital plan
- PERS Reserve funded at $5.5M ($5M transfer + $500K FY 24-25 budget)

Recommended Communication Channels

📰 Print & Traditional

- Los Altos Town Crier op-ed
- Press releases to regional media
- Popular Annual Financial Report (PAFR)

📱 Digital & Social

- Nextdoor (highest engagement)
- City Manager's social media
- City website & email newsletter

🎤 Community Events

- Town Hall presentations
- Village Association meetings
- Chamber of Commerce
- Service clubs (Rotary, Lions)

Five Key Messages

1	**Financially Sound**	FY 2023-24 ended with $9.3M General Fund surplus (audited). FY 2025-26 projects $8.3M.
2	**Stronger Reserves**	FY 2023-24 unassigned balance: $27.8M (57.7%). FY 2025-26: $17.2M (50% operating).
3	**Infrastructure Investment**	FY 2024-25 appropriates $20.1M for CIMMP within the 5-year (FY 2025-29) plan.
4	**National Recognition**	GFOA Distinguished Budget Award (FYB 2023); CSMFO Excellence Award (first-time winner).
5	**Pension Responsibility**	PERS Reserve funded at $5.5M ($5M transfer + $500K in FY 2024-25 budget).

All figures sourced from ACFR, adopted budgets, and official award lists.

Recommended Next Steps

1. Commission reviews and approves communication plan
2. Coordinate with City Manager's office on social media and website
3. Draft Town Crier op-ed for Chair submission
4. Finalize and distribute Financial Report Card infographic
5. Schedule presentation at next Village Association meeting and identify other key organizations to target.
6. Issue press release upon ACFR publication

Proposed Timeline

February
Commission approval

March
Town Crier op-ed
Infographic distribution

April
Village Association
Press release

Questions & Discussion

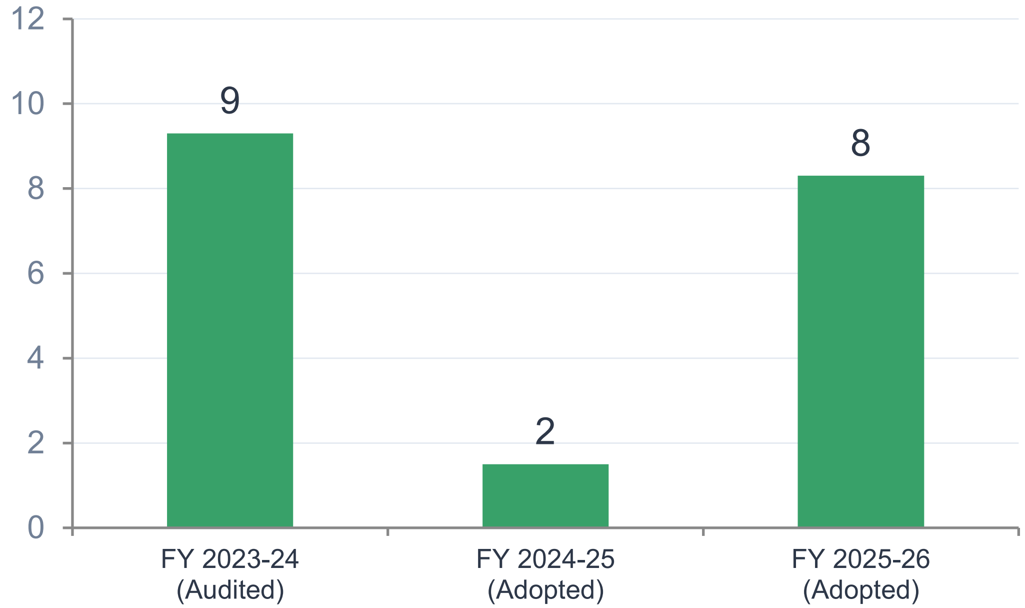
Let's share our success story with the community.

City of Los Altos Finance Commission
1 North San Antonio Road • Los Altos, CA 94022
losaltosca.gov/finance

Back Up

City of Los Altos Finance Commission
1 North San Antonio Road • Los Altos, CA 94022
losaltosca.gov/finance

General Fund Surplus: A Strong Track Record



Key Highlights

FY 2023-24 (Audited)
$9.3M General Fund surplus
$11.5M operating surplus before transfers

FY 2024-25 (Adopted)
$1.5M projected operating surplus

FY 2025-26 (Adopted)
$8.3M projected operating surplus

Sources: FY 2023-24 ACFR; FY 2024-25 & FY 2025-26 Adopted Budget Reports

📈 **The audited FY 2023-24 surplus of $9.3M demonstrates strong fiscal management.**

FY 2023-24 Audited Results

✓ ACFR Verified

$9.3M

General Fund Surplus

GF balance: $19.3M → $28.9M

$27.8M

Unassigned Fund Balance

57.7% of General Fund expenditures

Additional FY 2023-24 Results (per ACFR):

- Operating surplus of $11.5M before transfers
- General Fund balance increased from $19.3M to $28.9M (+49.7%)
- Zero-based budgeting methodology first full year of implementation

Source: City of Los Altos FY 2023-24 Annual Comprehensive Financial Report (ACFR)

FY 2025-26 Adopted Budget

$8.3M

Projected Operating Surplus

Unanimously adopted June 10, 2025

50%

Operating Reserves

$17.2M unassigned fund balance

$65.1M

General Fund Revenue

$56.8M

Operating Expenditures

$12.5M

Sewer Fund

Source: FY 2025-26 Adopted Operating Budget, City Council June 10, 2025

Property tax provides 59% of General Fund revenue ($38.2M) — a stable foundation for city services.