

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. 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).
- 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 must have the approval of the Risk Manager.
- 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 of these purchasing methods follows:

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 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 and use of City- compliant and approved contract. The approvals of the City Manager, 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.

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. Departments may request the establishment of a professional service contract in coordination with the Finance Department through submission of a Contract Purchase Order (CPO). The approvals of the City Manager, City Attorney (if deemed required), Risk Manager, and Finance Director are required.

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	Informal bids	DH or DE & FD
Over \$50,000 under \$125,000	Formal bids	DH & FD & ACM & CM
\$125,000 and over	Formal published/ advertised bids	DH & AS & 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** 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 \$50,000 to \$124,999.99** 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 along with the requisition for approval.

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, 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 but cannot increase the appropriation limit of any one (1) fund or any one (1) Capital Improvement Project. Any increase in appropriation levels within any one (1) Fund or adopted Capital Improvement Project must be authorized by the City Council. This authority relationship is as displayed graphically below.

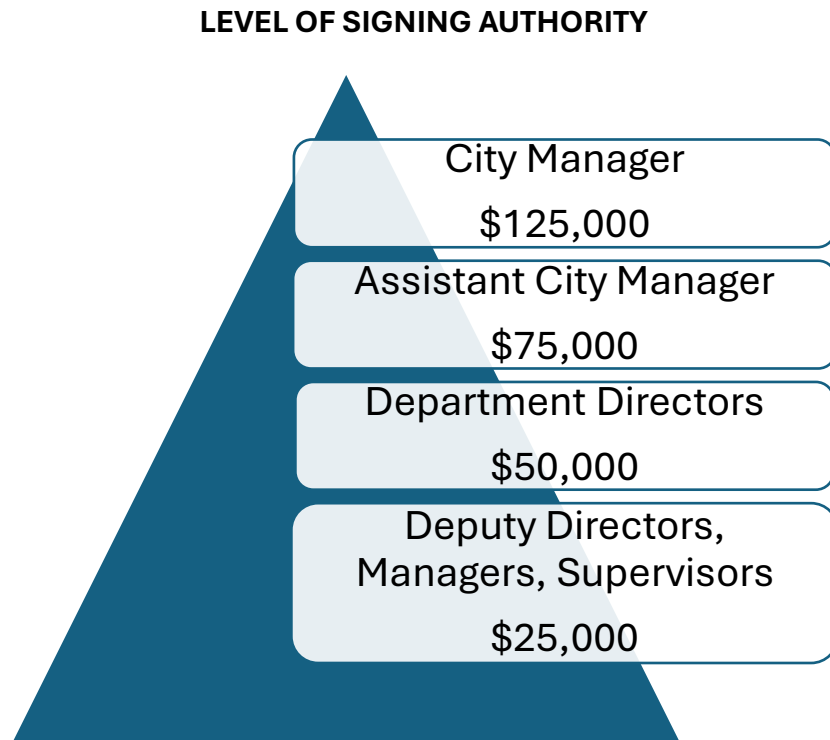


It is critical that all expenditures be coded to the appropriate account classifications during the year without restriction to itemized line-item limits (excluding salary and benefit items and total capital project appropriations). The accurate reporting of expenditure types allows for the refinement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



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.

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.

Value of Non-Legal Professional Services	Recommended Number of Proposals	Required Approvals
\$10,000 to \$24,999.99	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	Formal RFP and two (2) written proposals recommended	Department Director, Finance Director
\$50,000 to \$99,999.99	Formal RFP and two (2) written proposals recommended	City Attorney, Department Director, Finance Director, City Manager
\$100,000 and over	Formal RFP and two (2) written proposals recommended	City Attorney, Department Director, Finance Director, City Manager, City Council

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. 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 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.

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.

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 (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
	Over \$50,000 (Sealed Formal Bid)	Obtain at least two (2) formal quotes three (3) recommended with bid publication for purchases of \$10,000 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.
	\$100,000 or more (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 approved CPO and service 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, 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

OVERVIEW

The City has implemented Purchase Cards (Calcards) 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 Calcards and those who manage their use. The topics addressed in this policy follow:

- Responsibility
- Requesting Calcards
- Calcard Basics
- Cardholder Responsibilities
- Unauthorized Purchases
- Purchase Documentation
- Emergency Purchases
- Reconciling Statements
- Disputed Charges
- Returning Items
- Lost or Stolen Calcards
- Declined Purchase
- Review & Audits
- Invoices & Receipts
- Compliance with Policies and Procedures
- Important Telephone Numbers
- Purchase Card Process Chart
- Purchase Card Employee Agreement

RESPONSIBILITY

Department heads: Responsible for authorizing individuals within the Department to receive Calcards and designated approvers. Department heads must approve individual requests for Calcards and 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.

Cardholder: Responsible for ensuring that the use of Calcards conforms to the instructions herein, that they are used exclusively for City business, that monthly reconciled statements (including a complete Purchase Card Log and supporting invoices/receipts) are approved and submitted to Finance on a timely basis, and that Calcards are used securely.

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

REQUESTING CALCARDS

To apply for a Calcard, the Department head should send an email request to Finance and ultimately submit an approved Purchase Card Employee Agreement specifying an individual purchase limit as well as a total monthly limit.

CALCARD BASICS

Calcards 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.

Calcards 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 also 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.

CARDHOLDER RESPONSIBILITIES

- To read and be fully aware of the requirements of this document and the City's Purchasing Policy
- To read and execute an approved Purchase Card Employee Agreement.
- To maintain secure possession of the Calcard and keep the account number confidential.
- To ensure that all purchases strictly comply with City instructions.
- To obtain the best possible value for the City with Calcard purchases.
- To never give a Calcard to anyone for use.
- To always retain and maintain original records of receipts.
- To 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. See Purchase Card Process Chart.
- 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.
- To 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.
- To immediately call "Calcard" if a card is lost or stolen and notify Department supervisors and Finance.
- To resolve all incorrect charges and product returns as quickly as possible.
- To return Calcards to Finance upon the request of a supervisor, suspension of rights, or termination of employment.

UNAUTHORIZED PURCHASES

Purchases made shall be strictly for City of Los Altos business. Calcards shall not be used for:

- Personal use
- Cash advances or refunds
- Per diem and mileage advances
- Any transaction above the Department head's set limit and no more than the approved purchasing card limit - the level at which a purchase requisition and purchase order is required.
- Professional services, except for industry-wide training services (such as seminars).
- Purchases prohibited by the City's Purchasing Policy
- Computer hardware and software not pre-approved by the IT Manager (Only the IT manager or designee can authorize hardware and software purchases).

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 dual department approval.

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.

The splitting of purchases to avoid purchase card and authorizing limits will result in the revocation of card privileges and may include disciplinary actions, up to and including termination.

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 Departments. Immediately upon receipt, the cardholder is to verify the accuracy of the statement by comparing charges to supporting invoices/receipts and complete the Purchase Card Log. Things to check for include:

- Statement charge amounts that exceed or differ from receipt amounts.
- Items on the statement that were not purchased, received or supported by a packing slip.

The cardholder is to provide a completed Purchase Card Log, reconciled Calcard statement, and original invoice/receipts (in the order they appear on your statement) to the designated approver for review and signature. Cardholders should sign the card log along with the approver's signature and include budget/expense account codes.

Department heads are responsible for ensuring that reconciled and approved statements for all card-holding employees, including invoices/receipts, are submitted to Finance within ten business days of mail delivery. Finance will send out email reminders.

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 CALCARDS

If a Calcard is lost or stolen, call “Calcard” immediately and inform your designated approver and Finance. Calcard representatives are available 24 hours a day seven days per week.

DECLINED PURCHASE

If a supplier purchase is declined, contact Calcard, your designated approver, or Finance 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 regularly 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. Absence of such documentation will result in non-payment and incurred late fees and penalties charged to the benefiting Department.

COMPLIANCE WITH POLICIES AND PROCEDURES

Failure to follow established City purchasing instructions or the improper use of a Calcard will result in one or more of the following consequences:

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

There are also criminal and civil consequences related to misuse of public funds and potential action by the bonding company who provides the City’s blanket employee bond.

Your account can be canceled for:

- Failure to exercise care in safeguarding the Calcard from loss or use by another person.
- Failure to obtain supporting invoices/receipts/packing slips
- Missing statement reconciliation deadlines

- Not obtaining proper departmental approvals
- Purchasing unauthorized items
- Failure to report a lost or stolen Calcard
- Determination by the Department head that there is no longer a business purpose

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

IMPORTANT TELEPHONE NUMBERS

Reporting Lost or Stolen Calcards

24 hours/7 days a week - See reverse side of your card

EXHIBIT

PURCHASE CARD PROCESS CHART

MATERIALS, GOODS & MAINTENANCE SERVICES		
ORDER TYPE	COST POINT	PROCESS
Small Dollar, Materials, Goods, Non-Professional services	Less than department head set single purchase limits - must be under \$10,000 (No Bids Required)	Calcards can only be issued to City employees authorized by Department heads.
		Calcards can only be used for City business and never personal use.
Includes materials, supplies, equipment, operating or non-professional services excluding "Public Works Projects" and "Professional Services"	Also, within the monthly total dollar volume limit established by the department head	The employee must carry out a formal approved "Purchase Card Employee Agreement" and comply with its requirements.
		Monthly statements are received directly by the employee and must be reconciled and sent to Finance within 10 days of mail delivery.
	Cannot be used for: Personal Use Cash Advances Cash Refunds Professional Services	Monthly statement packets sent to Finance must include a required "Purchase Card Log," or Allocations made on the bank's Calcard site. original invoices/receipts, and
		Department head monthly purchase logs are to be approved by the City Manager and Finance Director prior to payment
		Finance will process payments within the required due date. Late fees caused by untimely or incomplete submission will be charged to the subject department
		Hardware and software IT purchases must be approved by the IT manager before an order is placed

EXHIBIT

PURCHASE CARD EMPLOYEE AGREEMENT

You are being entrusted with a City of Los Altos purchasing card. The card is provided to you based on your need to purchase supplies, equipment and materials for the City of Los Altos. The City may revoke this card at any time without your consent, and the issuance of this card to you does not grant you any entitlement based on your title or position with the City or otherwise. Your signature below indicates that you have read this Agreement and will 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 Card Holder User Manual and 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 the "City of Los Altos." I agree that if I use the purchasing card for personal use or gain, or allow any other person to use the card, I will reimburse the City of Los Altos for all charges incurred and any fees related to the collection of those charges.

The purchasing card is City property. As such, I understand that I may be periodically required to comply with internal control procedures designed to protect the assets of the City of Los Altos. This may include being asked to produce the card to validate its existence and account number. If the card is lost or stolen, I will immediately notify Calcard and the Department of Finance.

I will receive a monthly statement, which will report on all purchasing activity during the statement period. I am responsible for all charges on the card, will reconcile the statement and resolve any discrepancies within ten days of receipt, and provide the approved statement to Finance with a complete set of original invoices/receipts.

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.

EMPLOYEE SIGNATURE	PRINT EMPLOYEE NAME	DATE
SINGLE PURCHASE LIMIT		\$
TOTAL MONTHLY LIMIT		\$
DEPT. HEAD SIGNATURE	PRINT DEPT. HEAD NAME	DATE