



# CITY OF SANTA BARBARA

## FINANCE COMMITTEE AGENDA REPORT

**AGENDA DATE:** September 16, 2014

**TO:** Finance Committee

**FROM:** Administration Division, Finance Department

**SUBJECT:** Increasing City Administrator Contracting Authority And Clarifying City Council Budgetary Control For Capital Projects

**RECOMMENDATION:** That the Finance Committee:

- A. Consider and recommend to Council an increase in the City Administrator's contracting authority from \$25,000, as established in Resolution No. 96-045, to \$35,000 to reflect CPI increases since 1996; and
- B. Hear a report from staff and recommend Council approval of proposed budget policies that would clarify current requirements established by City Charter Section 1205 related to the Council's level of budgetary control for capital projects.

### **DISCUSSION:**

#### **Proposed Increase to City Administrator's Contract Authority**

Section 518 of the City Charter provides that the City Council may authorize the City Administrator to bind the City, either with or without a written contract, for the acquisition of equipment, materials, supplies, labor, services or other items included within the budget approved by the City Council. The Council may also impose a monetary limit on this authority.

On April 23, 1996, the City Council granted the City Administrator the above authority with a monetary limit of \$25,000. Since then, the consumer price index (CPI) has grown by nearly 54.6%, indicating the increased price of goods and services over the last 18 years.

With the above price inflation, staff recommends increasing the City Administrator's contract authority from \$25,000 to \$35,000 to reflect the increased cost to purchase goods and services.

### **Clarifying Council's Level of Budgetary Control for Capital Projects**

Section 1205 of the City Charter provides that the Finance Director, with the approval of the City Administrator, may authorize the transfer of funds from one line item account or program to another within the same department. Conversely, any changes to a department's budget that changes the bottom line total must be approved by Council.

Section 1205 of the City Charter, as worded, would appear to also allow the City Administrator to approve transfers of appropriations between capital projects accounted for in a separate fund, since these funds are created for most departments. However, staff believes the intent of the Charter is to be more restrictive, requiring Council approval in some of these cases.

Consequently, staff is proposing policies that clarify when Council must approve changes to funding approved by Council for capital projects, and which changes can be approved by the City Administrator. The City Council is authorized to enact regulations to implement the Charter, provided those regulations are consistent with the Charter.

Staff proposes the following situations would require Council's approval:

- Adding a new project using appropriations from an existing project approved by Council;
- Transferring between capital projects when the total amount being transferred exceeds \$35,000.

The City Administrator would be delegated authority to approve the following changes:

- Transfers of funding between capital projects presented in the adopted budget or otherwise approved by Council when the total amount being transferred does not exceed \$35,000.

There may be occasions when a project approved by Council in connection with the adoption of the annual budget represents a capital "program" made up of smaller discrete projects. In these cases, staff proposes that the City Administrator must approve any transfer of funding between projects that fall under the umbrella of a single capital project/program approved by Council.

Note that the above policy related to capital projects uses a threshold of \$35,000 for purposes of determining which level of approval is required. This threshold is tied to the City Administrator's contracting authority, which staff is proposing to increase from \$25,000 to \$35,000, as discussed above.

**PREPARED BY:** Michael Pease, Budget Manager  
**SUBMITTED BY:** Robert Samario, Finance Director  
**APPROVED BY:** City Administrator's Office