



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 23, 2014

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Adoption Of Resolutions Increasing The City Administrator's Contracting Authority And Establishing Policies Related To The City Council Budgetary Level Of Control For Capital Projects

RECOMMENDATION: That Council:

- A. Adopt, by reading of title only, A Resolution of the City Council of the City of Santa Barbara Authorizing the City Administrator to Bind the City for the Acquisition of Certain Items and Rescinding Resolution No. 96-045; and
- B. Adopt, by reading of title only, A Resolution of the City Council of the City of Santa Barbara Establishing the City Council Budgetary Level of 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 City staff.

Staff proposes the following situations require Council's approval:

- Adding a new project using appropriations from an existing project approved by Council; and
- 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 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 different projects that fall under the umbrella of a single capital project/program approved by Council.

Note that the above policy uses a threshold of \$35,000 for purposes of determining what 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.

Staff presented both items to the Finance Committee and the Committee unanimously voted to recommend Council's approval of both the proposed policies and increase in the City Administrator's contracting authority.

PREPARED BY: Michael Pease, Budget Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA



Increasing City Administrator's Contracting Authority and Clarifying Council's Budgetary Level of Control

September 23, 2014

CA'S CONTRACTING AUTHORITY

Background

- ◆ City Charter (Section 518) allows the City Council to delegate contracting authority to the City Administrator
- ◆ In 1996, Council granted City Administrator \$25,000 authority
- ◆ Applicable to the following:
 - Professional services agreements
 - Sole source contracts
 - Emergency purchases
 - Public works contracts

CA'S CONTRACTING AUTHORITY

Proposed Change

- ◆ Increase contracting authority from \$25,000 to \$35,000
 - Accounts for CPI increases since 1986 (54.6%)
- ◆ Will reduce the number of contracts approved by City Administrator versus City Council

BUDGETARY LEVEL OF CONTROL FOR CAPITAL PROJECTS

- ◆ Section 1205 of City Charter establishes budgetary level of control at the department level
 - Legal spending controls are established through appropriations (budgeted expenditures)
 - Per 1205, Council must approve any change to the total appropriation authority for a department (versus at the program level or line-item level)
- ◆ General Fund has multiple departments
- ◆ Other funds consist of single departments, so effectively controlled at the fund level

GENERAL FUND

Appropriations by Department

	<u>FY 15 Budget</u>
Mayor & Council	\$ 3,307,116
City Attorney	2,230,664
City Administrator	2,252,571
Finance	5,015,553
Administrative Services	2,031,566
Community Development	9,905,580
Fire	22,947,979
Police	37,926,761
Public Works	7,793,384
Library	4,757,123
Parks & Recreation	15,316,938
General Government	829,600
	<u>\$ 114,314,835</u>

ENTERPRISE FUNDS

Appropriations by Fund

	<u>FY 15 Budget</u>
Airport	\$ 18,008,095
Waterfront	12,010,028
Downtown Parking (Pub Wrks)	7,288,946
Golf (Parks & Rec)	1,980,321
Solid Waste (Finance)	20,325,295
Water (Public Works)	38,252,391
Wastewater (Public Works)	<u>15,432,123</u>
Totals	<u><u>\$ 113,297,199</u></u>

PUBLIC WORKS DEPARTMENT

Water Capital Fund

Project Description	FY 2015
Cater Treatment Plant Equip Rehab	\$ 100,000
Distribution Pump Station Rehab	250,000
Distribution Reservoir Program	750,000
Groundwater Supply Program	3,750,000
Recycled Water Program	315,000
Annual Water Main Replacement Program	500,000
Total	<u>\$ 5,665,000</u>

BUDGETARY LEVEL OF CONTROL FOR CAPITAL PROJECTS

- ◆ Section 1205 does not provide clear guidance for capital projects budgeted in separate capital projects funds
- ◆ Arguably, the City Administrator has the authority to move funds between capital projects that don't affect the total for the fund
- ◆ In contrast, the annually adopted budget presents individual capital projects

BUDGETARY LEVEL OF CONTROL FOR CAPITAL PROJECTS

- ◆ Existing practice is for staff to bring to Council for approval “material changes” to capital projects
 - “Material” has not been well defined
- ◆ Intent of proposed policy is to formally establish the requirements and establish thresholds (i.e., Council’s level of budgetary control)

BUDGETARY LEVEL OF CONTROL FOR CAPITAL PROJECTS

◆ Proposed Policy

- Council approval is required in the following circumstances:
 - Creating a new project (from existing appropriations in another project)
 - Transferring appropriations between projects that exceed \$35,000
- Policy applies to capital projects as presented in the annual budget document



QUESTIONS?