



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Patty Maitland, Finance Director

MEETING DATE: August 17, 2016

SUBJECT: Adopt a Resolution Amending Council Policies 400-5 *Investments* and 400-7 *City Credit Card*

CEQA: Does not constitute a “Project” under California Environmental Quality Act (CEQA) Guidelines 15378

RECOMMENDATION

Adopt a Resolution Amending Council Policies 400-5 *Investments* and 400-7 *City Credit Card*.

DISCUSSION

At the close of the fiscal year, it is customary to review the City’s financial policies to incorporate newly identified best practices and to address issues that have arisen in the prior fiscal year. Staff recommends two policies for revision: 400-5 *Investments* and 400-7 *City Credit Card*.

400-5 Investments

[A recent incident](#) in a Southern California municipality, brought to light the importance of having dual oversight of certain financial transactions. (This incident involved the chief financial officer of the municipality being the sole approving authority for the wire transfer of funds). Because the City’s investments are made via wire transfers to the City’s investment broker, it is recommended that the City Clerk jointly approve, with the Finance Director, any wire transfers made to brokerage accounts. This dual approval process strengthens internal controls and provides additional security of City invested funds.

400-7 City Credit Card

The City’s credit card policy was initiated in October 2015. In the past fiscal year, certain aspects of the policy have been identified as being too vague as an effective guide for using City issued credit cards. This revision to the policy clarifies permissible/prohibited purchases and reduces the risk associated with the use of City issued credit cards.

FISCAL IMPACT

Amending Council Policies 400-5 *Investments* and 400-7 *City Credit Card* contributes to the overall fiscal integrity and stability of the City of Pacific Grove.

ATTACHMENTS

1. Draft amended Policy 400-5
2. Draft amended Policy 400-7
3. Resolution No. 16-_____

RESPECTFULLY SUBMITTED:

Patty Maitland

Patty Maitland
Finance Director

REVIEWED BY:



Jocelyn Francis
City Manager Pro Tempore

**City of Pacific Grove
Council Policy**

Subject	Policy Number	Effective Date	Page
City Credit Card	400-7	November 1, 2015	Page 1 of 3

PURPOSE

The purpose of this policy is to establish a framework for the City of Pacific Grove's credit card program and the appropriate use of City-issued credit cards. The City credit card program is intended to: streamline small dollar purchases, reduce the acquisition period, reduce requests for employee reimbursements, and minimize the use of employee personal credit cards for City and business related expenses.

POLICY

The City credit card is to be used for official City of Pacific Grove business only. The City credit card may only be used by the cardholder whose name is imprinted on the card and the cardholder cannot authorize anyone else to use his or her credit City credit card.

CARD ISSUANCE

Credit cards may be issued to City of Pacific Grove Department Heads, executive staff, and employees as approved by the City Manager and the Finance Director. If the employee leaves office/employment, the purchasing card must be turned in to the Finance Director immediately upon separation. Credit cards shall not be issued to volunteers, part-time employees, seasonal employees, or contracted employees.

APPROVING AND REVIEWING CREDIT CARD USE

Each Department Head is the approving official for the cardholders that report to him or her. The City Manager's and Department Heads' approving official is the Finance Director. The Finance Director's approving official is the City Clerk.

Each Department Head is responsible for reviewing all credit card transactions in their departments and submission to the Finance Director, or designee, who will look at each cardholder's purchases and at the merchant who made the sale and determine if the items are allowable purchases in accordance with this policy. If there is a question regarding a purchase, it is the Finance Director's, or designee's, responsibility to talk with the department head of the cardholder. The Department Head shall provide written authorization obtained from the City Manager prior to the purchase of any items the Finance Director, or designee, determines are not allowable under this policy.

If a cardholder cannot explain why a purchase was necessary and for official use, or, provide the aforementioned written authorization from the City Manager, the cardholder must provide a credit voucher proving that the item(s) have been returned for credit or a personal check for the full amount of the purchase. If the cardholder fails to provide a receipt for the purchase and is unable to obtain a copy of the missing receipt, the cardholder will be responsible for the full amount of the purchase. Improper use of the card will result in the procurement card privilege being taken away and possible disciplinary action, up to and including termination.

CARD USES AND RESTRICTIONS

Any employee who uses a City credit card for personal purchases shall be responsible for reimbursing the City for all costs associated with the personal purchase and will have the card immediately revoked with possible referral to the City Attorney, and will be subject to disciplinary action up to and including termination from employment.

Maximum single and 30-day period transaction limits are as follows:

1. A maximum of \$2,500 per transaction including tax. (Exceptions to this transaction limit may be authorized by the City Manager and/or the Finance Director. In no event may the total exceed the cardholder's approved, 30-day transaction limit.)
2. A maximum of \$2,500 - \$5,000 per 30-day period per credit card (depending upon cardholder's approved transaction limits).

Examples of services and supplies that may be purchased using the City credit card include:

- On-line, mail and telephone orders
- Office supplies, department specific supplies
- Subscriptions, publications, and book orders
- Travel expenses such as airline tickets, restaurants, gas, parking, hotel reservations, conference registration fees and training
- Printing and postage expenses
- Small tools and office equipment
 - Hammers, screwdrivers, wrenches, small power tools, calculators, keyboards, mouse, staplers, paper shredders, hole punches, etc.
- Small office furnishings
 - Tables, chairs, work surfaces, lamps, lateral or vertical files, storage units
- Special event meals & supplies
 - For City Council and Commission meetings, training sessions, City Manager meetings, refreshments for other City functions, and employee recognition/appreciation events that have been pre-approved, in writing, by the City Manager
 - Table coverings, plastic cutlery, paper and/or plastic plates, cups and napkins
- Minor equipment repair
 - Printer, fax machine and other small equipment repairs
- Recruitment advertising and public notices
- Necessary products and/or services during a City Manager declared emergency.

PROHIBITIONS

Employees are strictly prohibited from using the City credit card to:

- Purchase personal items
- Purchase supplies for the benefit of another department
- Split purchases to circumvent purchasing dollar limits

The City credit card may not be used for products or services such as the ones listed below:

- Alcoholic beverages and tobacco products

- Gift Cards
- Gambling: Lottery Tickets, Betting, Casino Gaming Chips, Off-Track Betting
- Ammunition Weapons, ammunition, and related accessories.
- Cash Advances, Foreign Currency, Money Orders, Travelers Checks, Wire Transfers, Savings Bonds
- Cellular Phones and Pagers and/or Related Monthly Service Charges
- Office Furnishings or Equipment over \$1,000
- Professional/Consultant Services
- Instructors, Speakers, Performers
- Sponsorships, donations or gifts to a charitable entity, nonprofit entity, educational institution, political organization, or religious organization.
- ~~Political Organizations~~
- ~~Religious Organizations~~
- Fines
- Bail and Bond Payments
- Tax Payments
- Government Loan Payments
- Hazardous materials, chemicals
- Purchased items that will not be retained by the City

All meals charged to a City credit card require the names of individuals in attendance, and business purpose, (i.e. nature of business discussion). This written confirmation must be submitted along with the credit card form and cash register receipt.

Failure to follow this policy may lead to the suspension or termination of a City credit card, disciplinary action, and/or reimbursement ~~for to~~ the City for all unauthorized purchases.

PROCUREMENT CARD RECEIPTS

The cardholder shall verify that the amount is correct before signing the sales receipt. The cardholder shall obtain from merchant one copy of the signed sales draft for his/her records. The cardholder shall retain this copy and attach it to his/her monthly Statement of Account. Documentation is necessary for all transactions.

STATEMENT PROCESSING PROCEDURES At the close of each billing cycle, each cardholder that made purchases will receive a Statement of Account from the bank. The statement will itemize each transaction that was charged to the procurement card account. Within 5 days, the cardholder shall review the statement for accuracy, attach all original receipts to the statement in order, sign and date the statement, provide the appropriate accounting codes to the purchases, and submit to the Finance Department for payment processing.

CARDHOLDER RESPONSIBILITIES

1. Comply with the City of Pacific Grove City credit card Policy.
2. Maintain the credit card in a secure location at all times.
3. Resolve disputes or billing errors directly with the vendor and immediately notify the Finance Director and Bank of the dispute.
4. Immediately report a lost or stolen card to the Bank and the Finance Director.
5. Return card to the Finance Department upon termination with the City of Pacific Grove.

CITY OF PACIFIC GROVE CITY COUNCIL POLICY

Policy Governing	Policy No.	Effective Date	Page No.
Investments	400-5	September 15, 2010	1 of 3

Purpose

This policy is intended to provide guidelines for the prudent investment of the City's temporary idle cash and reserves, and to outline the procedures for managing the City's treasury.

Objective

The City's investment objective is to enhance the economic condition of the City while ensuring the safety of the funds invested. The City attempts to obtain the highest yield on its investments consistent with the criteria established for safety and liquidity. The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible.

The City Treasurer is responsible for investing the City's funds in accordance with California Government Code, Sections 53600, et seq. and 53635, et seq. The City manages its investments under the prudent person rule (Civil Code Section 2261, et seq.) which states, in essence, that "in investing...property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstances then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs..."

Three principal factors—safety, liquidity and yield—are considered, in the following priority order, when making investment decisions:

- A) **Safety.** Safety means limiting the potential for loss of principal, interest, or a combination of the two.

- B) **Liquidity.** Liquidity refers to the ability to convert an investment to cash promptly with a minimal risk of losing principal or interest. A portion of the portfolio should be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements.

- C) **Yield.** Yield is the average annual return on an investment based on the interest rate, price, and length of time to maturity. The City attempts to obtain the highest yield possible, provided that the basic criteria of safety and liquidity have been met.

Permitted Investment Instruments

The Treasurer shall invest in the following investments and only under the guidelines as provided herein:

- A) **Certificates of Deposit.** Non-Negotiable Certificates of Deposits will be made only in FDIC or FSLIC insured accounts. For deposits in excess of the insured maximum of \$250,000, approved collateral shall be required in accordance with Government Code 53652 and/or 53651 (m) (1). Investment in these instruments shall be limited to financial

institutions that in the Treasurer's judgment are of high quality, and shall not have a term exceeding five years from the date of purchase.

- B) **Securities of the U.S. Government or its Agencies.** Includes obligations issued by Federal Home Loan Banks, Government National Mortgage Association, Farm Credit System, the Federal Home Loan Bank, Federal Home Loan Mortgage Association, Federal National Mortgage Association, or obligations or other instruments of or issued by a federal agency or a United States Government sponsored enterprise. Investment in these instruments shall not have a term exceeding five years from the date of purchase.
- C) **Treasury Bills and Notes.** U.S. Treasury Bills, Notes, Bonds, or Certificates of Indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest. The term of such securities shall not exceed five years from the date of purchase.
- D) **Local Agency Investment Fund (LAIF).** Investment of funds in the California LAIF which allows the State Treasurer to invest through the Pooled Money Investment Account (PMIA). Maximum investment is subject to state regulation. LAIF investments are available for City use.
- E) **Repurchase Agreements.** A purchase of securities by the City pursuant to an agreement by which the seller will repurchase such securities on or before a specified date, or on demand of either party, and for a specified amount. Investments in repurchase agreements will be used solely as short-term investments not to exceed 30 days.
- F) **Other.** Other investments that are, or may become, legal investments through the State of California Government Code, only with prior approval of the City Council.

Dual Approval of Wire Transfers

The City Clerk shall jointly approve, with the City Treasurer, all wire transfers from the City to any brokerage account in the City's investment portfolio.

Diversification

Investments shall be diversified among institutions, types of securities, and maturities to maximize safety and yield with changing market conditions. Local financial institutions will be given preferential consideration for investment of City funds consistent with the City's objective of attaining market rates of return, and consistent with constraints imposed by its safety objectives, cash flow considerations, and state laws.

Safekeeping

All investments of the City shall have the City of Pacific Grove as registered owner or shall be kept in the custody of the City or by a qualified safekeeping institution.

Investment Reports

The City Treasurer shall submit an investment report to the City Manager and City Council, as frequently as directed (but not less than quarterly). The report shall include, but not be limited to, the following information, for each investment:

- Name of Financial Institution
- Type of Investment
- Amount of Deposit
- Rate of Interest
- Maturity Date
- Current Market Value
- Other Data as Requested

The City Treasurer shall review this Investment Policy from time to time, identifying any concerns or recommended changes for Council consideration. The Treasurer shall bring this Policy to Council for formal review at least once every two years.

Adopted September 15, 2010, Resolution 10-078
Amended October 21, 2015, Resolution 15-055

RESOLUTION NO. 16-xxx

**AMENDING COUNCIL POLICY NOS. 400-5 INVESTMENTS AND 400-7 CITY
CREDIT CARD**

FINDINGS

1. The City annually reviews its financial policies to incorporate best practices and to address issues that have arisen in the prior fiscal year.
2. Best practices and application of the policies in the prior fiscal year indicate revisions to the policies are necessary to strengthen internal controls.
3. This action does not constitute a “Project” as that term is defined under the California Environmental Quality Act (CEQA) Guideline Section 15378, as it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE:

1. The foregoing Findings are adopted by the City Council as though set forth in full.
2. Council Policy Nos. 400-5 and 400-7 are amended as indicated in the draft amended policy attached hereto.
3. This Resolution shall take effect immediately following its adoption.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE
this 17th day of August, 2016, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

BILL KAMPE, Mayor

ATTEST:

SANDRA KANDELL, City Clerk

APPROVED AS TO FORM:

DAVID C. LAREDO, City Attorney