

City Council

Rich Tran, Mayor

Marsha Grilli, Vice Mayor

Garry Barbadillo, Councilmember

Bob Nuñez, Councilmember

Anthony Phan, Councilmember



CITY OF MILPITAS - NOTICE OF ADJOURNED SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting of the Milpitas City Council has been scheduled for Monday, September 11, 2017 at 5:30 PM at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA in the Council Chambers on the second floor. The meeting agenda is as follow.

SPECIAL CITY COUNCIL MEETING

MONDAY, SEPTEMBER 11, 2017

5:30 PM

Milpitas City Hall

Council Chambers 2nd floor

455 E. Calaveras Boulevard, Milpitas, CA

Councilmember Phan will participate by telephone conference call from:
4550 S. Grand Canyon Drive, Las Vegas, NV 89147

AGENDA

- I. CALL TO ORDER / ROLL CALL / PLEDGE**
- II. APPROVAL OF AGENDA**
- III. PUBLIC FORUM** *Comments limited to 3 minutes or less*
- IV. CLOSED SESSION**

CONFERENCE WITH LEGAL COUNSEL, ANTICIPATED LITIGATION

Pursuant to California Government Code section 54956.9(d)(4) City as Plaintiff

- V. REPORT OUT OF CLOSED SESSION (if any)**
- VI. UNFINISHED BUSINESS**
 - 1. Approve Fiscal Year 2016-17 Year End Budget Adjustments (Staff Contact: Will Fuentes, 408-586-3111)**
 - 2. Receive Report from Staff on Credit Card Policy (Staff Contact: Will Fuentes, 408-586-3111)**
- VII. ADJOURNMENT**

KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and the City operations are open to the people's review.

Materials related to an item on this agenda submitted to the City Council after distribution of the agenda would be available for public inspection at the City Clerk's office at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas during normal business hours.

For more information on your rights under the Open Government Ordinance or to report a violation of the ordinance, contact the City Attorney at Milpitas City Hall, 455 E. Calaveras Blvd, Milpitas, CA
E-mail: cdiaz@ci.milpitas.ca.gov / Phone 408-586-3040

The Open Government Ordinance is codified in Milpitas Municipal Code as Title I Chapter 310 and is available at the City's website www.ci.milpitas.ca.gov by selecting the Milpitas Municipal Code link.

AGENDA REPORTS

1. Approve Fiscal Year 2016-17 Year End Budget Adjustments (Staff Contact: Will Fuentes, 408-586-3111)

Background: Finance staff is in the process of closing the City's accounts for Fiscal Year 2016-17 with a focus on expenditures. To maintain conformity with the City's budgeting policies and to prepare for the annual external financial audit, staff examined all expenditure accounts and identified three necessary operating budget adjustments detailed below. These adjustments account for grants received but not recognized and actual leave cash-out costs which are difficult to forecast during budget preparation. This is a common annual end of the year budget correction process amongst local governments and it requires Council approval:

- 1. Fire Mutual Aid Overtime** – staff requests a General Fund appropriations increase of **\$393,883** to account for overtime expenditures incurred while responding to regional fires through the California Fire Service and Rescue Emergency Mutual Aid System. The source of funding for the budget appropriation is from reimbursements received from the State of California Office of Emergency Services (OES). The revenue account for this reimbursement will also be increased by \$393,883 to fully offset the expenditure adjustment.
- 2. Police COPS Grant** – staff requests a General Fund appropriations increase of **\$33,280** to account for allowable Citizens Option for Public Safety (COPS) Grant program expenditures in FY 2016-17. This grant was previously approved by Council and funds were spent for Video/Audio Recorders (\$18,280) and a Polygraph Examiner Position (\$15,000). The source of funding for this budget appropriation is the Department of Justice (DOJ) COPS 2016 Grant. The revenue account for this grant will also be increased by \$33,280 to fully offset the expenditure adjustment.
- 3. Leave Cash-Outs** - the annual leave cash-out is routinely budgeted in non-departmental as a placeholder for employee separations and MOU allowable employee requested leave cash-outs as they occur. Total leave cash-outs were budgeted at \$650,000 for FY 2016-17. The level of cash-out can vary from year-to-year depending on employee requests and employee separations from the City. Staff budgets conservatively to ensure adequate funds are available for this liability. This request would shift **\$130,000** from the Non-Departmental General Fund budget to the Fire Department General Fund budget. The overall General Fund budget would stay the same after this increase since it is only a budget shift from one department to another.

Fiscal Impact: There is no impact to the City's General Fund balance. All appropriations increases are fully offset by grant revenue increases or identical appropriations decreases.

Recommendation: Approve the Fiscal Year 2016-17 year-end budget appropriations and reallocations as itemized on the budget change form.

Attachment: [Budget Change Form](#)

2. Receive Report from Staff on Credit Card Policy (Staff Contact: Will Fuentes, 408-586-3111)

Background: City credit cards, provided through U.S. Bank and the State's Cal-Card program, are used and assigned for the purpose of providing a convenient and effective means of making small-dollar operational purchases less than \$5,000. Their use is common practice for public agencies statewide. Additionally, City credit cards are an invaluable tool in facilitating emergency or non-recurring purchases in those unique instances when there are no other readily available means to pay for goods or off-site services (e.g., tire repairs, computer repairs, etc.). Due to their small dollar amount, credit card purchases do not require the use of a City Purchase Order (PO). Per Section I-2-4.01 of the Milpitas Municipal Code, all City purchases over \$5,000, regardless of method of payment, require the use of a PO reviewed and approved by a Department Director, the Director of Financial Services and the City Manager.

The City's credit card is for "Official Use Only." Personal use of a City credit card is strictly prohibited by Standard Operating Procedure (SOP) 06-03; given to each Cardholder upon request of a new City credit card. Misuse of a City credit card can lead to disciplinary action up to and including termination, and use of any other remedies, both civil and penal, available to the City. In addition, City credit cards are to be used by permanent City employees only. City credit cards are issued with the responsible person's name imprinted on the face of the card and each individual who holds a City credit card shall maintain his/her specific card under his/her control.

A City credit card shall not be used to circumvent any existing City of Milpitas purchasing policy, procedure, or practice. To receive a City credit card, an employee must submit a Credit Card Request Form that provides justification for card issuance and is reviewed and signed by their Department Director before being submitted to the Director of Financial Services for review. If the issuance is appropriate and necessary for City business, the Director of Financial Services will recommend to the City Manager for approval. The City Manager has the final review and approval for issuing City credit cards.

If a request is approved, the employee is then provided with a detailed Credit Card Manual (in agenda packet). The Credit Card Manual and SOP 06-03 were recently updated and changes sent to Cardholders and Approving Officials. A summary of those changes is listed here.

Changes

- **Personal Use** – The City has a strict "No Personal Use" policy for City issued credit cards. This was stated in previous versions of the Credit Card Policy, but staff would like to again re-emphasize it. The new version of the Credit Card Policy places this restriction at the beginning and repeats it several times within the Policy and the Credit Card Manual.
- **Maximum Credit Card Limit** – Purchases over \$5,000 require the use of an approved City PO per Section I-2-4.01 of the Milpitas Municipal Code. However, the PO threshold was formerly \$3,000 and the Credit Card Policy and Credit Card Manual reflected that lower amount. This created an unintended gap between the current PO threshold of \$5,000 and the Credit Policy and Manual, which both showed a \$3,000 limit. Thus, the amount was raised to \$5,000 in both documents to ensure consistency with current PO Policy.
- **Approving Official** – Department Directors have responsibility for reviewing and approving Credit Card statements of Cardholders in their departments before submitting to the Finance Department for approval. Further emphasis for this responsibility is included in the revised Credit Card Policy and Manual. In addition, while it was not addressed previously, the revised Credit

Card Manual now clearly states that “No Cardholder shall approve his or her own (monthly) Statement of Account and no Cardholder shall have his or her Statement of Account approved by an employee at a lower positional level in the organization. The only exception is for the City Manager’s Statement of Account, which will be reviewed and approved by the Director of Financial Services.”

- **Reconciliation and Documentation** – Every year, external auditors review the City’s financial transactions and internal controls for validity and adherence to Generally Accepted Accounting Principles (GAAP). During the course of these audits, they also test various transactions such as City credit card purchases. In recent years, they have discovered late review and approval of monthly credit card Statements of Account and lack of appropriate documentation such as transaction receipts. The revised Credit Card Policy and Manual addresses these findings and deficiencies and clearly states a City Credit Card may be suspended or revoked by the Director of Financial Services for repeated violations of policy such as lack of proper documentation and late submissions.
- **City Sponsored Events** – Staff may use City credit cards to pay for City sponsored events such as meetings, luncheons, dinners, etc. The details of these events though were not properly documented prior to the event when a City credit card paid for them. Thus, a new City Credit Card Event Form is being implemented. This will detail the purpose of the event, total cost charged to a City credit card, and who attended. If the event requires a PO due to a cost over \$5,000, this information was and is already being captured. However, this level of detail was not previously captured when City credit cards were used. The new City Credit Card Event Form will enhance control over these events and transparency of City financial transactions.

The City’s credit card program is an important operational tool, but its use must be appropriate and transparent to the City Council and the public. While the use of a credit card program is standard practice for public agencies, it is a privilege to Cardholders and not a right. The Finance Department will monitor and periodically audit the City’s credit card program to ensure compliance with policy and take appropriate actions when policy is not followed. The Finance Department will also periodically evaluate the continued need of those who are issued a City credit card and recommend account cancellation when an account is no longer active, needed, and/or appropriate. Staff recommends an annual report be provided to Council in January detailing any deviations from policy that may have occurred in the prior calendar year, external audit findings, corrective actions taken, and further recommendations for program improvement.

Fiscal Impact: None

Recommendation: Per request of Councilmember Nuñez, receive staff report on City Credit Card Policy and provide any input or recommendations.

Attachments: [SOP 06-03 Credit Card Policy](#) and [Credit Card Manual](#)