




MEMORANDUM

TO: Mayor and Council

FROM: James Scarboro, Purchasing Officer 

DATE: July 8, 2019

SUBJECT: Financial Information in Recommendations for Council Actions,
for Procurement Items

The purpose of this memorandum is to clarify and to provide additional background information regarding certain financial information that is regularly included in Recommendation for Council Action (RCAs) for procurement items.

BACKGROUND

Every year the Purchasing Office and the Capital Contracting Office sends to Council approximately 300 procurement RCAs combined. Although both offices try to spread these items out over the course of the year, due to the Summer break in July and the budget discussions in September, a large quantity of these procurement items are sent to Council in June and in August of each year. As budget discussions for the coming Fiscal Year are beginning, and as Council has recently asked questions concerning the financial implications of authorizing RCAs that will be subject to future budget years, a quick overview of procurement RCAs and their financial information is timely.

DISCUSSIONS

Council authorizes the expenditure of City funds through the annual budget appropriations process. Departments use their appropriated budgets to pay for goods and services purchased under City contracts. In accordance with the City Charter, contracts of an amount above the City Manager's authority, currently at \$61,000 per year, must be approved by Council. With limited exception, the approval of City funds and the approval of City contracts are separate actions.

Through the Purchasing and Capital Contracting Offices, departments bring their contracts to Council for approval. These procurement RCAs usually do not also seek authorization for the funds necessary to pay for these contracts – as these funds have already been approved by Council for use in the current Fiscal Year or are subject to approval by Council in future Fiscal Year(s).

Because these contracts exceed the City Manager's authority, they make up the largest contracts issued by the City. Due to their larger size, the value of these contracts is a common piece of information for Council when taking these items up for consideration. To inform Council of the

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size/value of these contracts, staff includes financial information in the following locations within RCAs for procurement items.

Section: Posting Language. Also referred to as the “Subject”, the Posting Language is the authorization statement that establishes the purpose of the requested contract. This purpose is taken from the requested contract’s scope. A contract’s scope is a description of the products and/or services to be purchased under the contract. In addition to the contract’s purpose, additional information may be included in the posting language like the contractor’s name, the contract’s length (period of time) and the contract’s aggregate value – whether that value is actual or estimated.

Section: Fiscal Note. The Fiscal Note section states 1) the name(s) of the department(s) that will use the contract, 2) the type of funds that will be used to pay for the contract, and 3) the amount of funds that will be or that may be used (e.g., indefinite quantity contracts) within the department(s) current appropriate budget.

If a requested contract will be utilized in any future Fiscal Years, the Fiscal Note section will indicate that the contract’s funding in future Fiscal Years is dependent on the budget appropriations of the department(s) using the contract. If the department(s) using the contract are appropriated sufficient funds in their future budgets, they will continue to use the contract as requested. If these department(s) are not appropriated sufficient funds in their future budgets, they will limit or discontinue their use of the contract.

Contracts using Capital Improvement Program (CIP) funds will be identified in the Fiscal Note section as well. Because these are longer-term projects, CIP funds cover multiple Fiscal Years and are not reliant on the annual appropriated budgets of individual departments.

In some instances, the value of the requested contract was not included in the department’s appropriate budget. In these instances, the RCA seeks Council authorization of both the contract and the funds to be used to pay for the contract. When this happens, the new or changed fund and amounts will be displayed in the Fiscal Note section.

Section: Additional Backup Information. Finally, financial information regarding a procurement item can also be found in the Additional Backup Information section, also known as the “Below the Line” section. The financial information in the Additional Backup Information section is usually more detailed to how and when the department intends to spend money under the contract. For this reason, the financial information in this section will vary the most from one RCA to the next. This section most often includes information regarding the contract’s incremental values, e.g., how much the contract’s base term is estimated to be, as well as how much each optional extension is estimated to be.

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SUMMARY

RCAs for procurement items are generally only used to authorize the contract and not the funds needed to pay the contract. Financial information can be found in three distinct locations within an RCA including the Posting Language section, the Fiscal Note section and the Additional Backup Information section. The amount in the Posting Language may represent an actual or an estimated amount. The Fiscal Note lists the department(s) intending to use the contract as well as the amount of their appropriated budget(s) available they will use within the current Fiscal Year. The financial information in the Additional Backup Information section is more specific and variable, but usually includes the contract's segmented values by contract term. Last, occasionally contracts will be requested that will use funds that were not a part of the department's appropriate budget. When this happens, the new fund and amount will appear in the Fiscal Note section.

If you have any further questions in this regard, please feel free to contact me.

cc: Spencer Cronk, City Manager
Elaine Hart, Deputy City Manager / Chief Financial Officer
Greg Canally, Deputy Chief Financial Officer
Rolando Fernandez, Capital Contracting Officer