



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Richard Doyle,
City Attorney
Lee Price, MMC
City Clerk

SUBJECT: Council Expenditure and
Reimbursement Policy

DATE: January 18, 2007

BACKGROUND

On October 3, 2006, the City Council reviewed the current policies relating to Council expenditures and reimbursement and requested the City Attorney work with the City Clerk to develop a more comprehensive Council Expenditure and Reimbursement Policy for discussion before the Council Rules Committee. The purpose of this memo is **not** to recommend a new policy, but rather to provide a framework for the Rules Committee to start the discussion of what the new policy should look like. We expect to come back to the Rules Committee at least twice before a proposed policy is drafted that can be recommended to the Council for adoption. Staff is recommending that this issue be discussed and policy developed using the following multi-step approach:

1. Discussion of current policies and procedures;
2. Discussion of a sample policy from the Institute for Local Government, federal expense procedures and measures followed by other entities for potential improvements to those used in San Jose; and
3. Direction to staff to draft a comprehensive expenditure and reimbursement policy that would be applicable to the Mayor and City Council.

The Council indicated at the October 3, 2006 meeting that it would like the new Council Expenditure and Reimbursement Policy to be based on higher standards than what is legally required. Further, Council indicated a desire that the new policy establish clearer guidelines as to what types of expenditures are permitted including expenditures to support community based organizations. Finally, several Council members stated that the policy should establish a process that would ensure the expenditures are appropriate.

Since that meeting, we distributed to the Mayor, Council, City Clerk, and City Manger a copy of the publication by the Institute for Local Government ("ILG") entitled Of Cookie Jars and Fishbowls: A Public Official's Guide to the Use of Public Resources, which covers many of the issues that would need to be addressed in a comprehensive policy. Attached to this memorandum is a sample Reimbursement Policy taken from ILG's publication which may be a useful in framing the discussion regarding what may be an

appropriate expenditure (Attachment 1). Also attached as a point of reference, is a list of expenses derived from the federal Office of Management and Budget Circular A-87 covering uses of federal grant funds (Attachment 2). Finally, we have attached the memo submitted by the City Attorney to Council for the October 3, 2006 meeting (Attachment 3) which explains some of the background and history of San Jose's reimbursement policies, as well as the vulnerabilities underlying the current policies. We will refer to these documents throughout this memo as examples of how other jurisdictions deal with the issues of potential conflicts, appearances of impropriety, and potential misuse of public funds that may arise when elected officials expend public funds.

ANALYSIS

At the October 3, 2006 meeting, the City Council requested clearer guidelines about the use of City funds in the following general categories:

- Constituent Outreach Expenditures;
- Civic, Cultural, Charitable, Political and Religious Events;
- Donations;
- Dues and Subscriptions;
- Advertisements;
- Meals; Flowers; Gifts to Staff; and
- Consultants.

The Council also requested clarification regarding; (1) methods of payment, and (2) documentation of expenditures. The discussion below addresses each general category as well as the issues about payment methods and documentation in the context of: San Jose's current practice; the sample ILG policy; and OMB Circular A-87. The sample ILG policy outlines permitted expenditures and prohibited expenditures and requires that any proposed expenditures that are not specifically addressed must be approved, in advance, by the full Council, upon a finding of public purpose or benefit. The OMB requirements only specify allowable and prohibited expenses. Costs that appear not to fit any of the OMB A-87 categories are allowable as long as they support the objectives of the federal program.

The discussion below also addresses certain expenditures that did not come up in the Council meeting on October 3, because we were focused on reimbursements to Council members. However, a comprehensive expenditure policy should include all authorized expenditures made from Council office budgets, including personnel, supplies and equipment, and similar expenditures. This is especially important because each member of the Council currently has the discretion to allocate which portion of their office budget goes to staff, and non-personnel items such as office supplies/equipment and other expenditures. As such, each office would have a different amount of their

budget available for non-personnel expenditures including but not limited to constituent outreach, advertising, and community events.

A. Council Budget Expenditures.

The Council office budgets are funded from the following different appropriations:

1. Council Office Appropriations
2. Council General Appropriations
3. Arena Community Fund
4. Funds appropriated to the Clerk's Office to administer specific programs or activities on behalf of the Mayor and Council.

1. Mayor and Council Office Appropriations.

The main component of the annual operating budget for the Office of the Mayor and each Councilmember is currently made through a separate appropriation for each office. The base appropriation for the current fiscal year is \$1,518,702 for the Mayor's Office and \$242,847 for each Council Office. However, since it is current practice to allow these appropriations to roll over at the end of the fiscal year, the beginning appropriation for each office was different.

In FY 1996-97, \$20,000 was allocated to each district for "improvements in public facilities, assistance to programs of neighborhood or community organizations, sponsorships of community events or other similar activities." In FY 1999-2000, the Council approved a budget augmentation of \$10,000 to "allow each office to keep up with not only the population growth each council district faces, but an ever growing emergence of neighborhood and community groups and projects that each office needs to undertake to achieve the level of service residents expect." However, there is no longer a separate allocation for the above purposes. Although the amount of funding continues, it is up to the discretion of each Council member as to how the funds will be used. In addition, to the above mentioned community projects and services, this Office budget is used to pay for salaries for unclassified Council/Mayor assistants and direct operating expenses.

The following table summarizes the current appropriations for each office in FY 2006 – 2007:

Mayor and Council FY 2006 – 2007 Operating Budgets

Office	Appropriation	Budget
Total Office of the Mayor		\$1,401,583
District 1	1010	\$312,025
District 2	1020	\$365,007
District 3	1030	\$260,014
District 4	1040	\$283,343

Office	Appropriation	Budget
District 5	1050	\$317,373
District 6	1060	\$286,532
District 7	1070	\$285,639
District 8	1080	\$271,908
District 9	1090	\$359,320
District 10	1100	\$335,104
Council General	0220	\$4,173,470

2. Council General Appropriation.

The Council General appropriation of \$4,173,470 in FY 2006 – 2007 is used to pay:

- a. salary, car allowance, and fringe benefits costs for each elected official;
- b. salary and fringe benefit costs for the classified civil service employees of each office;
- c. fringe benefit costs for unclassified staff
- d. supplies and equipment shared among all Council Offices;
- e. selected special event costs, such as the recent Inaugural Event.

This appropriation is managed through the Office of the City Clerk and subject to approval by the Mayor’s Budget Office.

3. Arena Community Fund Appropriation (Appropriation 3119).

In December 2000 the City Council approved an amendment to the Agreement with the managers of the Arena allowing them to sell the name. Under that amendment the City receives \$250,000 per year (\$25,000 per Council District) from the fees paid by the Hewlett-Packard Corporation for the naming rights of the Arena. These funds, commonly referred to as HP grants, are distributed through grants of varying amounts to local non-profit organizations in pursuit of educational, cultural and recreational purposes. These funds are appropriated to and managed by the Office of the City Clerk in consultation with each council office.

4. Appropriations To The Clerk’s Office:

The City Council also appropriates funds to the City Clerk’s office to administer various programs or initiatives as specified below.

DEPARTMENT	APPROPRIATION	FUNCTION/ACTIVITY	BUDGET AMOUNT
City Clerk	3119	Arena Community Fund	\$479,557
City Clerk	2958	Councilmember Transition	\$64,698
City Clerk	3319	Mayor/City Council Travel	\$34,364
City Clerk	2083	Mayor’s Education Initiatives	\$129,107
City Clerk	3455	San Jose Education Foundation	\$200,000

DEPARTMENT	APPROPRIATION	FUNCTION/ACTIVITY	BUDGET AMOUNT
City Clerk	2055	State of the City Convocation	\$70,000

a. Personnel/Staff

Current Practice. Each Council Office is provided with one administrative assistant position which is a classified civil service position and paid for out of the Council General appropriation. The Mayor and each Councilmember determines how many unclassified assistants to hire and sets the salaries of each unclassified assistant. The City's Classification plan contains four levels of Council Assistant classes and one unique classification for the Office of the Mayor. An approved classification specification defines the minimum qualifications and job duties within each job class. The City's salary schedule identifies the pay range for each classification. In addition, the unclassified employees are members of the City's unrepresented management employee group, Unit 99. The rules and procedures governing compensation and benefits for the Mayor and Council staff are the same rules as those afforded to all other Unit 99 employees. To the extent the Council budget is not spent on personnel, the Council has discretion to spend the remainder of the office budget on office supplies/equipment and other expenditures.

Potential Issues. Issues that could arise in the staffing context are those regarding overpayment of staff, and compensation to staff for political or personal services.

These potential issues are addressed by current practice with regard to Council member discretion over their personnel budget since the Civil Service safeguards are in place to cover salary setting and job duties. The lack of clarity surrounding the expenditure of the remainder of the Council office budgets on non-personal expenses will be addressed by the new policy.

ILG Sample Policy. The sample policy does not address Council staff, presumably because the budgetary discretion exercised by individual Council members in San Jose is unique. Since the sample policy does not specifically address staff, any expenditure on Council staff would have to be approved by the Council as a whole.

OMB Regulations. Circular A-87 specifies that staff salaries and fringe benefits directly related to the program being funded are an authorized expenditure if: 1) total compensation is reasonable for the services rendered; 2) hiring is in conformance with established rules; and 3) the compensation does not include costs otherwise prohibited by the policy.

The City's current practices are in conformance with these federal guidelines.

b. Office Supplies/Equipment

Current Practice. As referenced above, many common expenses that can be shared among the Council Offices, such as basic office supplies, photocopiers and other general expenses are paid through the "Council General" appropriation. Purchase of specific items such as office furniture and computer equipment may also come from the Council office budget at the discretion of each officeholder, but has also been paid from the Council General appropriation at the direction of the Mayor's Budget Office. There does not appear to be any written guidelines or policies regarding from which appropriation these expenditures should come. All such purchases are subject to the City's procurement regulations.

Potential Issues. Discretionary spending by individual Council members could lead to public perception of extravagant or unnecessary spending on furniture and computers.

ILG Sample Policy. The sample policy does not address office supplies and equipment and such expenditures would therefore be subject to approval by the entire Council.

OMB Regulations. Office supplies, equipment, and costs for ordinary rearrangement or alteration of office space are allowed under the federal regulations.

c. Constituent Outreach

Current Practice. The types of expenses that may arise when a member of the Council participates in Constituent Outreach may range from providing food or beverages in meetings with constituents, sending communications to constituents, providing food, beverage or other supplies toward events in the district, and/or giving recognition and commendation to constituents. There is currently no definition of Constituent Outreach in any City policy.

In addition to the use of their Office budgets, the Mayor and Council members often coordinate their constituent outreach efforts and activities with City departments and staff in furtherance of specific City program goals such as the Strong Neighborhoods Initiative. These activities may include City staff providing support or sponsorship of events held throughout the community by neighborhood groups, schools, community agencies and city facilities or programs.

Each expenditure for Constituent Outreach is governed under the policy that most closely fits the expenditure. For example, the City's Food and Beverage policy is looked to for guidance in determining the appropriateness of providing food at meetings with constituents. Communications with constituents in the form of notices of events are currently permitted as long as the notice is in compliance with the state law restrictions on mass mailings.

The City Charter provides that the dissemination of information about the City to the public is the duty of the Public Information Officer, which is under the supervision of the Mayor.

Potential Issues: Depending on the circumstances, these expenditures could be perceived as being misused for personal or political gain. While reaching out to the public to get input on issues and policies is a crucial component of a Council member's duties, there is a fine line between creating opportunities for constituent input and using public resources to enhance one's visibility and name recognition. This is an issue unique to the use of public funds by elected officials.

Similarly, the dissemination of information by individual Council members could be seen as an attempt to increase one's profile in the community which is why the prohibition on mass mailings was enacted by the voters.

ILG Sample Policy. Under the sample policy, a Councilmember may still be able to perform constituent outreach if the City Council finds, on a case by case basis, that the proposed expenditures serve a public purpose (i.e. benefit the City).

OMB Regulations. The OMB regulations do not specifically address this issue because these rules are more focused on departmental or agency operational considerations, not expressly regarding the conduct of elected officials.

d. Civic, Cultural, Charitable, Political and Religious Events

Current Practice. As civic leaders, members of the Council are invited and expected to attend various events. There is no City policy specific to such events. Some Council members use their officeholder account to pay for attendance. Others accept admission from the sponsor of the event, which is allowed under the City's gift ordinance, but depending on the value of the gift, subject to disclosure under the Political Reform Act. Sometimes the Council member pays for the event or part of the event from his or her own funds. Other times the Councilmember attends the event for a short period of time and does not participate in the meal or entertainment. There have also been occasions where tickets to an event,

such as opening night of Cirque du Soliel, have been donated to the City and the Council accepts the donation on behalf of the City. There is no City policy allowing the use of City funds to pay for a Councilmember's attendance at these events and therefore no guidelines to help determine when it is appropriate for City funds to be used.

Potential Issues. There are legal restrictions on the use of public funds that come into play in these situations such as prohibitions on aiding religion, spending public funds on political campaigns and the prohibition on spending public funds on an activity with no public purpose. There are also perception issues that arise when elected officials receive free admission to events. The use of office holder accounts in general is also controversial. Furthermore, the use of public funds to pay for entertainment or sporting events can be perceived as unjustified perks to the public official.

ILG Sample Policy. Under the sample policy, an expense for an event must be preauthorized and necessary for the conduct of City business in order to be reimbursable. The only specifically authorized events under the sample policy include those: (1) recognizing service to the City; (2) organized or hosted by the City; or (3) in furtherance of an approved business retention strategy. The sample policy specifically prohibits City expenditures for political or charitable events, sporting events and entertainment expenses.

Note that the sample policy does not distinguish among civic, religious, or cultural organizations or events, presumably because all would be prohibited charitable events.

OMB Regulations. The federal regulations prohibit the use of public funds on entertainment, including shows or sporting events. They also prohibit reimbursement for donations and contributions as well as fundraising, and therefore admission to fundraising events would not be allowed. Meals are allowed only in connection with travel on official business, so the meals at these events would also not be allowed.

e. Donations and Grants

Current Practice. As explained previously, under the City's agreement with the Arena operators, the City receives \$250,000 per year for the sale of naming rights to the Arena. These funds are allocated to the Office of the City Clerk and distributed by each Council District to provide grants to organizations for "educational, recreational or cultural purposes" as designated by the Council member. During the October 18, 2006 Rules Committee, staff presented a workplan which is currently in the implementation process. The workplan will focus on more clearly defining

and standardizing procedures and criteria for the allocation of these funds. Staff from the Offices of the City Attorney and City Clerk will report back to the Rules and Open Government committee this spring on these efforts.

In addition to the HP Grants, Council members also provide grants to community groups under the Council District Grant process. This program was originally instituted in June 1996 through the budget process. In FY 1996-97, the Council approved funding in the amount of \$20,000 per district on a one time basis to provide "enhanced District services such as improvements to public facilities, support for community organizations and events, and additional constituent services". The funding for this program was renewed annually until FY 1999-00. In that budget there was no separate funding for the program. However, the practice of Council members providing grants to community organizations has continued, funded through the Council office budget. The number of such grants has decreased significantly however since the HP Grant Program has come into effect.

Another form of donation is the events that are sponsored or supported by various City programs and functions such as Strong Neighborhoods Initiative (SNI); senior, youth and community centers; crime prevention; and neighborhood development. Many City departments assign staff to attend these events at the Council Office request, to distribute information regarding programs and services and in support of various community initiatives.

Other types of donations occur in the form of attendance at fundraisers, as discussed above, and sponsorship advertisements and memberships in charitable organizations which will be discussed below.

Potential Issues. In most cases, grants to organizations for educational, cultural or recreational purposes will have a public purpose that justifies the use of public funds. However, when the grantor is perceived to be an elected official, as opposed the City, this practice may create an appearance that the issuance of the grant results in political or personal advantage. This is especially of concern when there is no express authorization or guidelines to ensure that there is a public purpose or benefit to the grant, and no selection process or criteria to ensure that the funds are being fairly allocated and administered. Additionally, unless a grant agreement gets approved by the Council, there is little opportunity for public scrutiny of the expenditure or the process.

Similarly, if there are no guidelines in place with regard to other forms of donations, the risk of improper expenditures increases, as does the potential perception of personal or political benefit to the public official.

ILG Sample Policy. The sample policy prohibits expenditure of public funds on political or charitable contributions of any kind, including sponsorships, donations and grants, for the same reasons explained in the discussion above about events.

OMB Regulations. OMB Circular 87-A prohibits the use of federal funds for donations and contributions of any kind, as well as fundraising.

f. Dues and Subscriptions

Current Practice. Each year the City Council appropriates funds to the Office of the City Clerk to pay the City's dues and memberships in various organizations such as the National League of Cities, United States Conference of Mayors, and California League of Cities and other entities. The Mayor and City Council designate specific representatives and voting members to these associations as a part of the Council Committee assignment process. In addition, the City and its various offices may subscribe to a variety of publications (newspapers, magazines, computer list serves, etc.) to obtain information regarding legislation, regulations and other public policy issues. Typically, these subscriptions are a discretionary expense determined by the administration of each Council office.

Potential Issues. Information, training and access provided by these organizations add to the diversity of perspectives Council members are exposed to and utilize in policy development and the deliberative process. However, two public perception issues arise in the context of the use of public funds to pay for dues and subscriptions of elected officials. The first is the perception that it is an unnecessary perk. In other words, unless membership in the organization is directly related to the Council member's duties of office, public funds are being used for his or her personal benefit. The second concern is that, depending on the organization, the Councilmember could be seen as enhancing his or her name recognition and public persona for political purposes.

ILG Sample Policy. The sample policy authorizes participation in regional, state and national organizations whose activities affect the City's interests. Such participation would necessarily include dues for such organizations as the California League of Cities and the National League of Cities. No other memberships are authorized. The sample policy does not expressly authorize or prohibit subscriptions to publications. Under the policy, if the Council found that subscriptions to particular publications dealing with issues affecting the City were in the interest of the City, that expense would be reimbursable.

OMB Policy. The federal policy allows membership dues in business, technical and professional organizations and subscriptions to business, professional and technical periodicals. It allows costs of membership in civic, community and social organizations with prior approval of the specific federal agency. It prohibits the cost of membership in organizations substantially engaged in lobbying.

g. Advertisements

Current Practice. The City has no policy or guidelines with regard to the use of public funds by Council members for advertising. Council members have been reimbursed for advertising costs in publications under various circumstances. In some cases, the advertisement is seen as donation to a community group or the sponsorship of an event. In others it is considered constituent outreach.

Potential Issues. As discussed above in the context of donations and constituent outreach, the public may perceive the ads placed by Council Members as an effort to enhance their name recognition and political image. Although not prohibited by the state mass mailing restrictions, the rationale behind that law applies to paid advertisements as well.

ILG Sample Policy. The sample policy does not address advertisements and therefore would be prohibited unless specifically approved by Council prior to the expenditure.

OMB Policy. Advertising costs are allowed only for personnel recruitment, procurement of goods and services, and the disposition of surplus property, unless otherwise permitted for the specific purposes necessary to implement the federal program.

h. Meals, Flowers, Gifts to Staff

Current Practice. The City's Food and Beverage Policy, which was recently reinstated after being suspended for several years for budgetary reasons, allows the provision of meals to staff under the following limited circumstances: training sessions, non regularly scheduled meetings, and long City Council meetings that occur during mealtimes and it is not practical to break for a meal; employee recognition events (limited to \$15 per employee per year); and special events or receptions hosted by the City Council, City Manager or Agency Executive Director. Council members may utilize City-issued procurement cards and/or be reimbursed via petty cash for allowable meal expenses, as described above, subject to the City's normal procurement policies and procedures. The Office of the City Clerk has administrative oversight of the use of procurement

cards and petty cash funds utilized by the Mayor and Council members and their respective staffs.

City funds for the purchase of flowers and gifts to staff are not expressly allowed under any City policy.

Potential Issues. The provision of meals, flowers and gifts to staff raises concerns about improper perks to the City employees who receive them, as well as the improper use of public funds by those who give them. However, limited expenditures to recognize valuable employees is appropriate based on the value the City receives, both from the particular employee and in increased employee morale.

ILG Sample Policy. The sample policy authorizes reasonable expenses, including meals, incurred while engaged in various City activities. It does not authorize Council members to treat their staff to meals. The sample policy does allow employee recognition gifts or events of nominal value and cost.

OMB Policy. The federal policy allows “expenses incurred in accordance with the government units established practice or custom for improvement of working conditions, employer-employee relations, employee morale, and employee performance”.

i. Hiring Consultants

Current Practice. Consultant agreements for services have on occasion been initiated by the Mayor or an individual Council office and administered through the Office of the City Clerk, subject to review and approval by the Office of the City Attorney and in conformance with all applicable City purchasing guidelines. The Municipal Code authorizes the City Manager, City Attorney and City Clerk to negotiate and execute contracts for services valued at \$100,000 or less. It does not authorize the Mayor or Council to do the same. The authority for these contracts is not clear and there is no policy or guidelines specifying when such contracts are appropriate.

Potential Issues. Depending on the scope of the consultant agreement and the method of selecting the consultant, Council members could be accused of favoritism, using public funds to currying political favor, or overstepping their charter authority by hiring their own consultants.

ILG Sample Policy. The sample policy does not address the issue of hiring consultants, presumably because in most jurisdictions, a single member of the governing body does not have the authority to hire consultants.

OMB Policy. The OMB allows local governments to hire consultants only when it is reasonable to do so in light of several factors, including the particular skill required, whether in house staff can provide the service, the cost of the service, and similar factors.

B. Methods of Payment.

Current Practice. City policies allow for payment of expenses through various means including: 1) reimbursement through petty cash; 2) reimbursement through payroll; 3) City credit card; and 4) cash advances for travel. The City has policies governing each of these payment mechanisms and some allowable expenses are restricted to particular to payment methods. Payments on behalf of or reimbursements to the Mayor and City Council and their respective staffs are processed through the Office of the City Clerk and submitted to the Department of Finance. All such requests for payments are reviewed for consistency with applicable City policies and procedures.

Potential Issues: Reimbursement through petty cash is difficult to administer because the replenishment of the petty cash is done on an as needed basis, sometimes months after the expenditure has occurred. If a questionable expenditure has occurred, it may not be caught until well after the fact.

Staff administration of Council reimbursements can also raise issues of potential intimidation by, or opportunity to curry favor with, a Council Office. A strong system of checks and balances as well as clearly written policies can mitigate against potential abuse.

ILG Sample Policy. The sample policy presumes that the most common reimbursement procedure is when the official incurs the expense personally, and then submits an expense report for reimbursement. The policy does allow for cash advances under certain circumstances. It also provides parameters for use of a City credit card. It does not address petty cash reimbursement.

The sample policy also does not address the original method of payment used by the Councilmember in incurring the expense. As long as the expense report is supported by receipts documenting each expense, the policy does not distinguish among credit cards, check, or cash.

C. Documentation of Use of Funds.

Concern was raised at the October 3, 2006 Council meeting as to how to ensure that the recipient of a contribution, donation, or event admission fee will use the public funds in a manner that complies with the various restrictions on such funds. All donations and contributions from the City to the organization should be in the form of a grant

agreement setting forth the required use(s) of the funds. In the case of admissions to events, if the adopted policy allows such expenditures, it could require that no public funds be used unless evidence of a public benefit has been provided by the organization.

CONCLUSION

The ILG publication and the sample policy addresses most of the issues raised by Council in its discussion of the need for a comprehensive Expenditure and Reimbursement Policy. The OMB list of allowable and prohibited expenses also gives guidance on how the federal government addresses these issues. However, there are many issues that need to be addressed before a policy specific to San Jose can be drafted.



RICHARD DOYLE
City Attorney



LEE PRICE, *mme*
City Clerk

Attachment 1

Institute for Local Government

Sample Expense and Use of Public Resources Policy

I. Policy Statement

Whereas, the City takes its stewardship over the use of its limited public resources seriously.

Whereas, public resources should only be used when there is a substantial benefit to the City.

Whereas, such benefits include:

1. The opportunity to discuss the community's concerns with state and federal officials;
2. Participating in regional, state and national organizations whose activities affect the City.
3. Attending educational seminars designed to improve officials' skill and information levels; and
4. Promoting public service and morale by recognizing such service.

Whereas, 1) legislative and other regional, state and federal agency business is frequently conducted over meals; 2) sharing a meal with regional, state and federal officials is frequently the best opportunity for a more extensive, focused and uninterrupted communication about the City's policy concerns; and 3) each meal expenditure must comply with the limits and reporting requirements of local, state and federal law.

Whereas, this policy provides guidance to elected and appointed officials on the use and expenditure of City resources, as well as the standards against which those expenditures will be measured.

Whereas, this policy supplements the definition of actual and necessary expenses for purposes of state laws relating to permissible uses of public resources.

Whereas, this policy also supplements the definition of necessary and reasonable expenses for purposes of federal and state income tax laws.

Whereas, this policy also applies to any charges made to a City credit card, cash advances or other line of credit.

II. Authorized Expenses

City funds, equipment, supplies (including letterhead), titles, and staff tie must only be used for authorized City business. The following types of expenses generally constitute authorized expenses, as long as the other requirements of this policy are met:

1. Communicating with representatives of regional, state and national government on City adopted policy positions;
2. Attending educational seminars designed to improve officials' skill and information levels;
3. Participating in regional, state and national organizations whose activities affect the City's interests;
4. Recognizing service to the City (for example, thanking a longtime employee with a retirement gift or celebration of nominal value and cost);
5. Attending City events;
6. Implementing a City -approved strategy for attracting or retaining businesses to the City which will typically involve at least one staff member; and

All other expenditures require approval by the City Council.

The following expenses also require City Council approval:

1. International and out-of-state travel;
2. Expenses which exceed the annual limits established for each office holder; and
3. Expenses exceeding \$ _____ per trip.

Examples of personal expenses that the City will not reimburse include, but are not limited to:

1. The personal portion of any trip;
2. Political or charitable contributions or events;
3. Family expenses, including partner's expenses when accompanying official on agency-related business, as well as children – or pet-related expenses.
4. Entertainment expenses, including theater, movies (either in-room or a the theater), sporting events (including gym, massage and/or golf related expenses), or other cultural events;
5. Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline; and
6. Personal losses incurred while on City business.

Any questions regarding the propriety of a particular type of expense should be resolved by the approving authority before the expenses is incurred.

(Meeting Stipends NOTE: Does not Apply to The Council. Needs to be revised to reflect specific Commissions who are paid stipends)

III. Cost Control

To conserve City resources and keep within community standards for public officials, expenditures should adhere to the following guidelines.

Transportation

The most economical mode and class of transportation reasonably consistent with scheduling needs and cargo space requirements must be used, using the most direct and time-efficient route. In the event that a more expensive transportation form or route is used, the cost borne by the City will be limited to the cost of the most economical, direct, efficient and reasonable transportation form.

Automobile mileage is reimbursable at Internal Revenue Service rates presently in effect (*see* www.irs.gov). These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are also reimbursable.

Lodging

Lodging costs will be reimbursed or paid for when travel on official City business reasonably requires an overnight stay. If such lodging is in connection with a conference, lodging costs should not exceed the group rate published by the conference sponsor for the meeting in question. For overnight stays in other contexts, another helpful source of guidance is Internal Revenue Service per diem rates for lodging, which include adjustments for higher cost locations (*see* Publication 1542 at www.irs.gov or www.policyworks.gov/perdiem). The site also has references to hotels that have government rates at or below Internal Revenue Service per diem limits.

Meals

Meal expenses and associated gratuities should be moderate, taking into account community standards and the prevailing restaurant costs of the area. A helpful source of guidance is Internal Revenue Service per diem rates for meals and incidental expenses, which include adjustments for higher cost locations (*see* Publication 1542 at www.irs.gov or www.policyworks.gov/perdiem).

[The City will not pay for alcohol/personal bar expenses.]

Telephone/Fax/Cellular

Officials will be reimbursed for actual telephone and fax expenses incurred on City business. Telephone bills should identify which calls were made on City business. For cellular calls when the official has a particular number of minutes included in the official's plan, the official can identify the percentage of calls made on public business.

Airport Parking

Long-term parking should be used for travel exceeding 24-hours.

Other

Baggage handling fees of up to \$1 per bag and gratuities of up to 15 percent will be reimbursed. Expenses for which City officials receive reimbursement from another agency are not reimbursable.

IV. Cash Advance Policy

From time to time, it may be necessary for an official to request a cash advance to cover anticipated expenses while traveling or doing business on the City's behalf. Such request for an advance should be submitted to the *[indicate whom]* _____ days prior to the need for the advance with the following information:

- The purpose of the expenditure(s);
- The benefits of such expenditure to the residents of the City ;
- The anticipated amount of the expenditure(s) (for example, hotel rates, meal costs, and transportation expenses); and
- The date of the expenditure(s).

Any unused advance must be returned to the City treasury within two business days of the official's return, along with an expense report and receipts documenting how the advance was used in compliance with this expense policy.

In the event *[indicate who will be processing such requests]* _____ is uncertain as to whether a request complies with this policy, such individual must seek resolution from the City Council.

V. Credit Card Use Policy

City office holders may use the City credit card for such purposes as airline tickets and hotel reservations by following the same procedures for cash advances. Receipts documenting expenses incurred on the City credit card and compliance with this policy must be submitted within five business days of use.

City credit cards may not be used for personal expenses, even if the official subsequently reimburses the City.

VI. Expense Report Content and Submission Deadline

Expense reports must document that the expense in question met the requirements of the policy. For example, if the meeting is with a legislator the local agency official should explain whose meals were purchased, what issues were discussed and how those relate to the City's adopted legislative positions and priorities.

Officials must submit their expense reports within 30 days of an expense being incurred, accompanied by receipts documenting each expense. Restaurant receipts, in addition to any credit card receipts, are also part of the necessary documentation. Receipts for gratuities and tolls under \$5 are not required.

Inability to provide such documentation in a timely fashion may result in the expense being borne by the official.

VII. Audits of Expense Reports

All expenses are subject to verification of compliance with this policy.

VIII. Reports to Governing Board

At the following City Council or Board or Commission meeting, each official shall briefly report on meetings attended at City expense. If multiple officials attended, a joint report may be made.

IX. Compliance With Laws

City officials should keep in mind that some expenditures may be subject to reporting under the Political Reform Act and other laws. All agency expenditures are public records subject to disclosure under the Public Records Act *[and other laws]*.

X. Violation of this Policy

Use of public resources or falsifying expense reports in violation of this policy may result in any or all of the following: 1) loss of reimbursement privileges, 2) a demand for restitution to the City, 3) the agency's reporting the expenses as income to the elected official to state and federal tax authorities, and 4) prosecution for misuse of public resources.

Attachment 2

OMB CIRCULAR A-87 (REVISED 05/10/04)

ATTACHMENT B

SELECTED ITEMS OF COST

1. Advertising and public relations costs
2. Advisory councils
3. Alcoholic beverages
4. Audit costs and related services
5. Bad debts
6. Bonding costs
7. Communication costs
8. Compensation for personal services
9. Contingency provisions
10. Defense and prosecution of criminal and civil proceedings, and claims
11. Depreciation and use allowances
12. Donations and contributions
13. Employee morale, health, and welfare costs
14. Entertainment costs
15. Equipment and other capital expenditures
16. Fines and penalties
17. Fund raising and investment management costs
18. Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs
19. General government expenses

20. Goods or services for personal use
21. Idle facilities and idle capacity
22. Insurance and indemnification
23. Interest
24. Lobbying
25. Maintenance, operations, and repairs
26. Materials and supplies costs
27. Meetings and conferences
28. Memberships, subscriptions, and professional activity costs
29. Patent costs
30. Plant and homeland security costs
31. Pre-award costs
32. Professional service costs
33. Proposal costs
34. Publication and printing costs
35. Rearrangement and alteration costs
36. Reconversion costs
37. Rental costs of building and equipment
38. Royalties and other costs for the use of patents
39. Selling and marketing
40. Taxes
41. Termination costs applicable to sponsored agreements
42. Training costs
43. Travel costs.



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: RICHARD DOYLE
City Attorney

SUBJECT: Councilmembers' Expenditures
and Reimbursement Policies
and Guidelines

DATE: October 2, 2006

BACKGROUND

On September 27, 2006, the Rules Committee approved Councilmember Williams' request that the City Attorney be directed to compile City rules, guidelines and policies on petty cash, reimbursement procedures for expenditures made with personal funds, and City-issued credit cards which apply to Members of the City Council. This memorandum will provide a summary of these policies and guidelines and related laws implicated by certain uses of public funds. The local reimbursement policies portion of this memorandum was coordinated with the Department of Finance and the City Clerk.

DISCUSSION

A. Local Reimbursement Policies

The San José City Charter provides that members of the City Council shall receive reimbursement, if and to the extent such is authorized by the Council, for expenses incurred in the performance of their duties or functions of office. (Charter Section 408.)

The Director of Finance has the power and duty under the City Charter to: (1) supervise and control disbursements and expenditures to assure that payment has been otherwise legally authorized and (2) certify as to the legality and correctness of all bills, invoices, demands and charges against the City and sign checks in payment of such claims. (Charter Section 806.) The Finance Director administers and supervises the accounts payable function for the City. (San José Municipal Code § 2.04.2020(D).)

The City Clerk in processing reimbursements for members of the Council relies on policies relating to expenditures and reimbursements authorized by the Council or the Director of Finance. Copies of policies directly related to reimbursements are attached to this memorandum. The following is a summary of relevant City policies:

- **Credit Card** – Credit cards are to be used for official City business and may not be used for personal purchases. For example, credit cards may be used for: (1) purchases of supplies, materials and equipment; (2) travel related expenses; and (3) services, if the vendor is incorporated, up to \$1,000. No single transaction can exceed \$2,500 and credit

cards are encouraged to be used in lieu of petty cash, emergency purchase orders or purchase requisitions for items under \$2,500. Credit cards may not be used for: (1) cash advances; (2) purchases of communication equipment; (3) items available from citywide open purchase order; or (4) gifts for fellow employees. (Revised Credit Card Procedures Memorandum issued by Purchasing and Materials Management dated August 29, 2002.)

- **Petty Cash** – The petty cash fund may be used for: (1) purchase of materials and supplies not available through Central Stores; (2) subscriptions; and (3) the meals of individuals not affiliated with the City if the meeting is related to City business. Each petty cash transaction may not exceed \$500. For smaller expenditures and in instances where credit cards may not be accepted, we are informed that the Finance Department encourages reimbursements through the petty cash fund. (Finance Administrative Manual Section 5.6 last revised January 25, 2002.)
- **Travel** – Travel by City officers and employees must be for a public purpose in that the City derives specific benefits through a City representative's attendance. If the travel is authorized by Council, the Mayor or Councilmember will be reimbursed by the City for all reasonable and necessary expenses incurred while traveling on City business. (City Council Policy No. 9-5 Travel by Elected and Appointed City Officials; SJMC Chapter 4.28.) Policy No. 9-5 sets forth in detail the justifications required for approved travel and the types of expenditures during travel that may be reimbursed. Depending on whether the approved travel is in state, out of state, or international, the Mayor or Councilmember's travel may be reimbursed through their office budget, the Council Travel Fund, another department budget, or the Officeholder Accounts provided for under the San José Municipal Code. (Council Travel Policy Matrix attached to Memorandum from the City Clerk dated January 26, 2006.)
- **Food and Beverage (Non-Travel)** – City policy provides that, in limited circumstances, food and non-alcoholic beverages may be paid with City funds. Some examples include staff training sessions, non-regularly scheduled meetings in the evenings or weekends, and recognition events where the City is the host. (Food and Beverage Expenditure Policy (Non-Travel) adopted in July 21, 2006.)
- **Personal Use of City Time, Funds, Equipment and Like** – City policy prohibits the use of City time, funds, facilities, supplies or equipment for personal use or personal gain or for campaign-related political activities. (Code of Ethics, last revised June 28, 2005.)

B. Council Office Expense Reimbursement Process

The City Clerk is authorized to pay personal services and expenses of the City Council. (Annual Appropriation Ordinance No. 27801 adopted by Council on June 27, 2006.)

Each Council Office and the Office of the Mayor has an office budget from which they pay the salary of their unclassified staff and non-personal (equipment and supplies) expenses of their office. Although some of the City policies mention above refer to the Director of the Department as the person who authorizes reimbursements, staff involved in the

reimbursement process have indicated that they rely on these policies and treat the City Clerk as a de facto Department Director.

For example, if a member of the Council has been reimbursed through the petty cash fund, the City Clerk will review the receipts for the reimbursements at the time the fund is replenished. The City Clerk reviews the receipts for consistency with the existing policies and may request the funds be repaid in instances where petty cash was not used properly. The request to replenish the fund and receipts are then forwarded to the Finance Department. The Finance Department also reviews the expenditures and reimbursements to determine if they are consistent with policy. This review process is substantially similar for credit card transactions.

According to staff from the City Clerk's Office and the Department of Finance, it has been the general and longstanding practice of the Council offices to seek and obtain reimbursement for various activities including attending a cultural or civic event, becoming a member of or donating to a nonprofit community-based organization, or placing ads in publications. If approved, the reimbursements to the petty cash fund are drawn from the office budget of the individual Council office.

C. Officeholder Accounts

The San José Municipal Code regulates the use of officeholder accounts by the Mayor and Councilmembers. (SJMC, Chapter 12.06, Part 8.) Officeholder accounts are not public funds because they are funded with donor contributions. A Councilmember may establish an officeholder account of up to \$10,000 "to facilitate his or her performance as an officeholder." (SJMC § 12.06.860.) This means that funds are to be used for officeholder expenses and constituent services, including but not limited to paying for newsletter expenses, subscribing to publications, taking constituents out to dinner to discuss city business, defraying the cost of trips made in connection with the discharge of official duties and attending community events. The Councilmember's officeholder accounts may not be used for campaign purposes.

The types of expenditures permitted from the Mayor's officeholder account is broader in that the funds may be used for any political, legislative, governmental or other lawful purpose including but not limited to fundraising for the officeholder account, donations to tax-exempt charitable, civic or service organizations, contributions or expenditures to support or oppose candidates seeking election to an office other than an elective city office, and contributions or expenditures to support or oppose ballot measures.¹ (SJMC § 12.06.830.) The Mayor's officeholder account also differs in that total contributions to the account may be as much as \$50,000 as opposed to a Councilmember's officeholder account which is limited to \$10,000.

¹ San José City Charter Section 501 provides that the Mayor is the political leader of the community and provides guidance and leadership to the Council by expressing and explaining to the community the City's policies and programs and by assisting the Council in the informed, vigorous and effective exercise of its powers.

D. Legal Restrictions on Expense Reimbursements

As a general rule, the expenditure of any public funds must have an accompanying public purpose. A public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity and contentment of all, or at least a substantial part of, the inhabitants or residents of a city. (McQuillin, Municipal Corporations, Ch. 39.25.) The determination of public purpose lies with the City Council and will be upheld by the Courts unless it is wholly arbitrary. The expenditure of public funds implicates several laws and regulations which are addressed below.

1. Establishment Clause

The Establishment Clause of the United States Constitution provides that Congress shall make no law respecting an establishment of religion. The Supreme Court has interpreted the Establishment Clause as prohibiting government sponsorship, financial support, and active involvement in religious activity. However, the Establishment Clause is not offended by government actions that have a *secular purpose*, which is a principal or primary function that does not advance or inhibit religion.

When government aid is allocated on the basis of neutral, secular criteria that neither favors nor disfavors religion, and is made available to both religious and secular beneficiaries on a nondiscriminatory basis, the aid is less likely to have the effect of advancing religion.

Similar to the United States Constitution, the California Constitution prohibits the State from making any law respecting the establishment of religion. In addition, the California Constitution guarantees the free exercise and enjoyment of religion without discrimination or preference, which is commonly referred to as the "No Preference Clause" of the California Constitution. California courts have indicated that the State's Establishment Clause is broader than the federal Establishment Clause due to its No Preference Clause. However, the No Preference Clause is not violated where the government refrains from endorsing religion or giving favored status to religion in general.

The California Constitution also contains a "No Aid Clause" which provides that no city or county shall expend funds to advance a religious purpose. This clause bans government action which has the direct, immediate, and substantial effect of promoting religious purposes. It is intended to guarantee that the power, authority, and financial resources of the government shall never be devoted to the advancement or support of religious purposes.

But aid to a religious group is permissible where the benefit to the religious organization is merely incidental. The benefit may qualify as incidental if the benefit is available on an equal basis to those with sectarian and those with secular objectives. In other words, aid that is allocated on the basis of neutral, secular criteria that neither favors nor disfavors religion, and is made available to both religious and secular beneficiaries on a nondiscriminatory basis is less likely to have the effect of advancing religion and violating the California Constitution.

2. Use of Public Funds for Political Purpose

The general rule is that public funds may not be spent on activities directed to influence the electorate. Public funds, for example, may not be spent to influence the public to support or oppose a candidate or to vote a particular way on a ballot measure. (*Stanson v. Mott*, 17 Cal. 3d 206 (1976).) As we have stated in previous memoranda, City expenditures, including use of City facilities for political events, must be carefully scrutinized to ensure that the expenditure cannot be construed in any way to be partisan or to support or oppose a political organization or a candidate.

3. Mass Mailing Prohibition

The Political Reform Act prohibits the sending of newsletters and other "mass mailings" at public expense. (Govt. Code § 89001.) A "mass mailing" is defined as the mailing or distribution at public expense of 200 or more items in a calendar month featuring the name, office, photo or other reference to an elected official. (Fair Political Practices Commission Regulation 18901.) The Regulation is intended to preclude elected officials from using "mass mailings" as indirect campaign material for themselves.

Generally, the distribution of a tangible item such as a written document or mailing is prohibited if all of the following conditions are met:

1. A delivery of a tangible item to a residence, place of employment or business or post office box,
2. That features or includes reference to an elected official,
3. Any of the costs of distribution are paid with public funds or the costs of design, production, or printing, and
4. In an amount of 200 or more items.

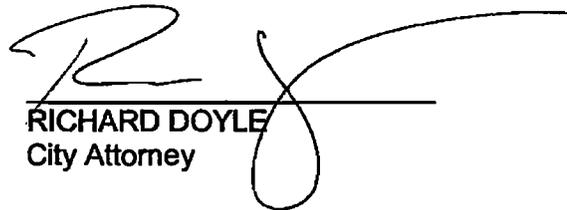
If another entity other than the City or the Redevelopment Agency delivers or mails the item, then a mass mailing is not deemed to be sent at public expense or with public funds *unless* any of the costs of distribution are paid with City or Agency funds or the costs of production exceeding \$50 is paid with City or Agency funds.

The FPPC regulation contains a number of exemptions from the mass mailing prohibition such as meeting or event announcements, press releases and intra-agency communications. The exemptions are subject to specific limitations as set forth in the regulation and are narrowly construed by the FPPC.

RECOMMENDATION

In 2005, the State enacted AB 1234 which requires, among other things, local agencies that reimburse their elected and appointed officials to adopt, in a public meeting, expense reimbursement policies that specify when expenses are necessary. (Govt. Code § 53232.2(b).) The City has various expenditure and reimbursement policies. These policies, however, do not completely address what expenses are properly reimbursable. In order to clarify the existing policies and consolidate them into a single policy, this Office recommends that the City Council adopt a reimbursement policy for the Mayor and the City Council as well as boards and commissions eligible to receive reimbursements. The consolidated policy would specify what expenses relating to donations to community organizations, memberships, advertisements in community newspapers, travel, meals, lodging, and other actual and necessary expenses would qualify for reimbursement from City funds.

In addition, the City Council could amend the Municipal Code to increase the officeholder account limits so that these funds could be used instead of the office budget for certain expenses related to constituent services. As noted above, the current limits on officeholder funds are \$10,000 annually for Councilmembers and \$50,000 annually for the Mayor. While the Mayor's officeholder account limit was increased in 2004, the limit for Councilmembers' officeholder account has not changed since 1997.



RICHARD DOYLE
City Attorney

Attachments

cc: Les White

For questions please contact Richard Doyle, City Attorney, at (408) 535-1900.

CITY OF SAN JOSE - MEMORANDUM

TO: All Credit Card Holders and Approving Officials

FROM: John Alden

SUBJECT: REVISED CREDIT CARD PROCEDURES

DATE: August 29, 2002

APPROVED:

DATE:

Attached is your new credit card along with revised procedures for its use. Please take the time to review the procedures on the appropriate use of the credit card.

There are two additional approved uses for the cards. First, the credit card program has been approved for travel related expenses but does not alter any of the procedures for Travel and Transportation as defined in the Administrative Manual Section 141. Second, the credit card program is now available for services if the vendor is incorporated and the total does not exceed \$1,000. Therefore, credit cards for small services such as courier services, maintenance contracts, rentals, etc. can now be used so long as the cardholder determines that the vendor is incorporated and the total does not exceed \$1,000. It is the credit cardholder's responsibility to ask the service vendor if he/she is incorporated; if so, the cardholder may proceed with the transaction. If not, the cardholder may not use the credit card for those services.

Key points to remember when using the credit card:

1. No single transaction can exceed the maximum of \$2,500 (\$1,000 for services) including sales tax and shipping charges. Be sure to ask the vendor for the TOTAL cost including these charges.
2. If your card is denied while you are at the supplier's place of business, contact Gen Ng 918-7817 and request an Emergency Purchase Order to cover the purchase. This will allow you to complete your purchase immediately.
3. If you use the card to pay for travel expenses, remember that all City processes for travel must also be followed. The credit card is simply an alternate form of payment and does not preclude following all other procedures established for travel.

The credit card program has been very successful due to each cardholder's willingness to abide by the guidelines. Any questions on the program should be addressed to the Program Coordinator, Jennifer Noble at 918-7800.

John Alden, C.P.M.
Division Manager
Purchasing and Materials Management

CITY OF SAN JOSE
PROCEDURES FOR USE OF CREDIT CARD

PURPOSE

To provide instructions on the proper use of the City of San José credit card for purchases of supplies, materials and equipment not to exceed limits established by your department's Approving Official. The maximum limits are as follows:

MAXIMUM OF \$2,500.00 PER TRANSACTION
MAXIMUM OF \$10,000.00 PER 30 DAY PERIOD PER CARD

GENERAL INFORMATION

1. The VISA card you will receive will have your name and the City of San José seal embossed on the card. Authorization to use this card is restricted to you individually. It may not be delegated. No member of your staff, your family, your supervisor or anyone else may use this card. It has been specially designed to avoid confusion with your personal credit cards. The card is to be used for OFFICIAL City business and **MAY NOT BE USED FOR OFFICIAL PERSONAL PURCHASES.**
2. Prior to receiving a credit card, you will receive a copy of the Request for Credit Card that indicates the maximum dollar amount for each single purchase and a total for all purchases made with the credit card within a given month. The City's limit is \$2,500 per transaction, and \$10,000 per month. However, your Approving Official may establish lower limits. If an emergency arises which you believe necessitates use of the card that will exceed the maximums established for your credit card, you *must* contact your Approving Official prior to using the card.
3. The credit card is a supplement to the procurement process. As with other procurement methods the following conditions must be met when using the credit card:
 - a. The credit card should be used whenever possible in lieu of petty cash, emergency purchase orders or purchase requisitions when the dollar amount for a single item or group of items is under \$2,500.

- b. Each single purchase may be comprised of multiple items, but the total including tax cannot exceed the single purchase dollar limit on your credit card.
- c. If a purchase will exceed the limit established by your Approving Official or the City *normal purchasing procedures* must be followed.
- d. The least expensive item that meets your basic needs should be sought.
- e. Cardholders must ensure that sufficient funds are available prior to making any purchases. Your Fiscal Officer and/or Approving Official can assist you in verifying funds are available.

4. The issuance of a credit card in your name does not allow the credit card company to do any credit check on your personal credit. They will not request

any personal information from you, nor should any personal information be furnished to you.

5. Use of the credit card is not intended to replace effective procurement planning which enables volume discounts.

6. Purchases must not be split to circumvent procurement policies.

7. If a purchase made with your credit card is questioned, you must be able to explain the nature of the purchase. If you cannot substantiate that the purchase was necessary and for official use, your department will address this situation in accordance with City policy.

8. Questions regarding your account or specific procedures should be directed to the credit card company at 1-800-227-6736 or Jennifer Noble, Program Coordinator at 918-7800.

CARD RESTRICTIONS

The credit card can be used to purchase supplies, materials, and equipment that do not exceed the single transaction limit; phone orders for materials or books, subscriptions, etc. The credit card shall not be used for the following:

1. Cash advances
2. Services EXCEPT small services such as courier, office machine repair, film development, etc...and ONLY if the vendor is incorporated and the total does not exceed \$1,000.
3. Purchases of items carried in General Services Stores unless out of stock
4. Purchases of communications equipment such as pagers, cellular phones, walkie talkies, etc.
5. Rentals EXCEPT for small pieces of equipment not exceeding a week in duration.
6. Items available from Citywide open purchase order such as office supplies.
7. Machinery that requires a maintenance agreement.
8. Purchase of items from a vendor with an established open purchase order for your department.
9. Purchases of flowers, shower gifts, birthday gifts, etc... for fellow employees and employees.
10. Purchases at Super Kmart per Resolution #67706 supporting the boycott of stores at Super Kmart.

Other restrictions may be applied by your Approving Official: Other restrictions may be

PROCEDURE

PROCEDURE

You will be notified by your Approving Official when your credit card has been received. You will be required to sign for the card.

You may use the credit card at any merchant that accepts VISA cards for payment of purchases. You may find that some of your suppliers do not currently accept VISA cards. If any of these suppliers are interested in accepting the IMPAC VISA, they should be directed to their local bank or financial institution(s).

Upon selecting your purchases, present them and your card to the merchant. The merchant will complete a sales draft that includes the following information:

- Imprint of your card; including card number, expiration date, and your name.
- Date and amount of purchase.

- Brief description of item(s) being purchased. (**NOTE:** You should have the merchant put something other than "miscellaneous" for description)
- Imprint of merchant name and identification.

The merchant will obtain authorization for the transaction via either a telephone call or direct telecommunication link to the VISA authorization network. The merchant will obtain an authorization number as long as the purchase is within the limits established for your card that will be written on the sales draft.

Before you sign the sales draft, verify that the amount is correct and that sales tax has been added. You will receive one copy of the signed sales draft. **RETAIN THIS COPY** in order to attach to your monthly statement of account.

TELEPHONE OR MAIL ORDER PROCEDURES

If you are authorized by your Approving Official to make telephone orders with your credit card, you must log all orders on the Record of Telephone Credit Card orders form. The log should be maintained for the same length of time as the billing cycle for your credit card. When you receive your statement which has telephone orders included, attach the log to the statement in lieu of a packing slip/receipt.

If you place an order through the mail, maintain a copy of your order form. Attach the order form and sales receipt, if available, to the statement in which the charge appears.

When placing a telephone or mail order, you will be asked to provide your name, card number, the expiration date on the card, and an address.

PROCEDURES AFTER PURCHASE

At the close of each billing cycle, you will receive a Statement of Account from the IMPAC BankCard System. The statement will itemize each transaction that was charged to your credit card account.

Upon receipt of the statement, complete each of the steps below:

- Review the statement for accuracy
- Indicate the appropriate visible code by each transaction, if appropriate

- Attach all sales receipts or copies of telephone logs for mail/telephone orders to the statement.
- Sign the statement and forward to your Approving Official within five (5) working days of receipt.

DISPUTES

If items purchased with the credit card are found defective, the cardholder has the responsibility to return the item(s) to the merchant for replacement or to receive a credit on the purchase. If the merchant refuses to replace or correct the faulty item, then the purchase of this item will be considered to be in DISPUTE and will not be paid until resolved.

A disputed item must be noted on the "Cardholders Statement of Questioned Item" form and faxed directly to US Bank at (701) 461-3466. Any item questioned must be submitted to US Bank within five (5) working days from receipt of the statement. A copy of the Questioned Item form should be attached to the statement in question and submitted to your fiscal section. If you have returned an item purchased, attach the credit voucher to the statement on which the credit appears.

If you will be unavailable to review your Statement of Account within the five (5) day period, please forward all paperwork including receipts to your Approving Official to process in your absence. Upon your return, you will still be required to sign the original Statement of Account.

LOST OR STOLEN CARDS

Immediately notify your Approving Official and IMPAC BankCard System. The latter may be reached at: **1-800-227-6736**

Provide the following information to your Approving Official: Your complete name; card number; the date reported to police, if stolen; date IMPAC BankCard system was notified; and any purchase(s) made on the day the card was lost or stolen. A new card will be mailed to you within two business days from the time you reported the loss or theft to the BankCard System. A new account number will be assigned to your new card.

IT IS IMPORTANT THAT YOU NOTIFY IMPAC BANKCARD SYSTEM AND YOUR APPROVING OFFICIAL OF THE LOSS OR THEFT OF A CARD, IMMEDIATELY.

CHANGES TO CARDHOLDER INFORMATION

Changes to a cardholder's name, address, and organization should be immediately reported to your Approving Official who will forward the information to Purchasing.

Upon leaving the City or transferring to another department, you must return your card to your Approving Official.

If you have any questions on the appropriate use of your credit card, please contact your Approving Official or the Purchasing offices.

**CITY OF SAN JOSE
CREDIT CARD PROGRAM
MERCHANT CATEGORY CODE TABLE**

A	AIRLINES	
B	VEHICLE RENTAL	
C	HOTEL, MOTEL	
D	COURIER SERVICE	
G	MAIL ORDER HOUSES – Catalog Stores	
H	FOOD/DAIRY/DRUG STORES Grocery Stores, Supermarkets, Dairy Products Stores, Candy, Nut & Confectionery Stores, Bakeries, Pharmacies	
I	RESTAURANTS	RESTAURANTS
J	DISCOUNT/DEPARTMENT/VARIETY STORES; MISC. General Mdse., Wholesale Clubs, Discount Stores, Department Stores, Variety Stores	DISCOUNT General Mids Stores
K	MISC. & SPECIALTY RETAIL STORES Lumber/Hardware, Lawn, Garden, Clothing, Home Furnishing & Equipment, Household Appliances, Misc./Records, Government Services, Electronic Sales, Computer Software Stores, Sporting Goods Stores, Book Stores, Stationery, Office & School Supply stores, Hobby, Toy & Game Stores, Gift & Novelty Stores, Artists Supply & Craft Shops, Florists, Pet Stores, Tent & Awning Shops, Camera & Photographic.	
Q	SCHOOLS, EDUCATIONAL SERVICES (Registrations) Correspondence Schools, Business & Secretarial Colleges, Universities, Junior College & Professional Schools.	
R	MEMBERSHIP ORGANIZATIONS, CHARITABLE & SOCIAL ORGANIZATIONS.	

FINANCE ADMINISTRATIVE MANUAL
City of San Jose

Subject: **PETTY CASH AND CHANGE FUNDS**

Section Number 5.6

Page 1 of 4

Effective Date 11/30/00

Revised Date 1/25/02

Approved:

Date:

PURPOSE

To provide uniform guidelines for the use and maintenance of petty cash and change funds.

POLICY

Petty Cash

Each department may be allotted a specified sum of money for the acquisition of materials and supplies not available through Central Stores, subscriptions, and meal reimbursements. Petty cash transactions may not exceed \$500 (including sales tax, shipping and handling charges).

Change Funds

If operations necessitate making change for cash transactions, departments may be allotted a specified sum of money to fulfill that purpose.

Department Heads are responsible for the security and maintenance of petty cash and change funds in their departments. Department Head approval is required to establish or make any modifications to a petty cash or change fund.

PROCEDURE

Establishing A Petty Cash Or Change Fund

- Departments may request a petty cash or change fund by completing a Petty Cash and Change Fund Authorization form (49-29).
- The Authorization form must designate a Custodian and may designate an Alternate Custodian. Only the Custodian and Alternate, in the absence of the Custodian, shall have access to the fund(s).
- A Cash Journal Voucher, debiting the Petty Cash account (001-42000000-1030), for the amount of the fund must accompany the Authorization form.
- Forward the original Authorization form and Cash Journal Voucher to Finance/Accounting for review and approval.

Modifying A Petty Cash Or Change Fund

- Changes to the amount of a fund, the Custodian, or the Alternate Custodian may be requested by completing a Petty Cash and Change Fund Authorization form.

FINANCE ADMINISTRATIVE MANUAL
City of San Jose

Subject: PETTY CASH AND CHANGE FUNDS	Section Number 5.6 Page 2 of 4 Effective Date 11/30/00 Revised Date 1/25/02
Approved:	Date:

- New and former Custodians should separately reconcile and verify the fund prior to submitting the Authorization form.
- Forward the original Authorization form and Cash Journal Voucher to Finance/Accounting for review and approval.

Reimbursements From Petty Cash (No Cash Advance)

- Employee completes Sections A and B of the Petty Cash Disbursement form (49-32), attaches the sales receipt, and obtains an authorized signature.
- Employee submits the form and receipts to the Custodian
- Custodian verifies that the reimbursement request complies with the Policy and disburses cash for the amount authorized.
- Employee completes Section C at the time of reimbursement.
- Custodian retains the form and documentation until a replenishment of funds is processed.

Advance of Petty Cash

- Employee completes Section A, and *Prior to Purchase* in Section D of the Petty Cash Disbursement form (49-32).
- Custodian disburses an advance of funds not to exceed \$500.
- Within seven (7) calendar days of the advance, employee completes Section B and obtains an authorized signature.
- Employee submits the form and receipts to the Custodian
- Custodian reconciles the amount advanced to the actual expense by completing *After Purchase* in Section D.
- Custodian disburses or collects the difference between the advance and the actual expense and obtains the employee's signature.
- Custodian attaches receipts to the Petty Cash Disbursement form and retains the documentation until a replenishment of funds is processed.

FINANCE ADMINISTRATIVE MANUAL
City of San Jose

Subject: PETTY CASH AND CHANGE FUNDS	Section Number	5.6
	Page 3 of 4	
	Effective Date	11/30/00
Approved:	Date:	Revised Date 1/25/02

Replenishment of Petty Cash Fund

When the fund is approximately 75% expended, Custodians shall:

- Reconcile disbursements, outstanding cash advances and cash remaining in the fund to the authorized petty cash fund limit.
- Prepare a Cash Journal Voucher for the amount of the petty cash disbursements and attach the Petty Cash Disbursement forms and original receipts to the Voucher.
- Obtain an authorized signature on the Cash Journal Voucher and forward the batch to the Finance Department/Accounting Division.
- After the Finance Department has approved the Cash Journal Voucher, the Petty Cash Custodian or authorized representative shall pick up a copy of the approved Cash Journal Voucher and redeem the amount of the voucher for cash in the Finance Department/Treasury Division.

Shortages and Overages

Departments are responsible for reporting cash overages and shortages in accordance with Section 4.5 of the Finance Administrative Manual.

As part of the replenishment process, a Petty Cash Disbursement form shall be completed and approved by an authorized signor. The form shall include an explanation of the overage/shortage in Section A, Purpose of Advance/Reimbursement.

Closing a Petty Cash or Change Fund

Petty Cash Fund

- A Cash Journal Voucher is prepared to restore the fund to the full amount authorized (see Replenishment of Petty Cash Fund).
- The Custodian prepares a Cash Collection batch crediting the Petty Cash account (001-42000000-1030), obtains an authorized signature, and submits the batch and cash for deposit with the Finance Department/Treasury Division.
- The Custodian must file a Petty Cash and Change Fund Authorization form and a copy of the Cash Out Edit List with the Finance Department/Accounting Division as notification that the fund is closed.

FINANCE ADMINISTRATIVE MANUAL
City of San Jose

Subject: **PETTY CASH AND CHANGE FUNDS**

Section Number 5.6

Page 4 of 4

Effective Date 11/30/00

Approved:

Date:

Revised Date 1/25/02

Change Fund

- The Custodian prepares a Cash Collection batch crediting the Petty Cash account (001-42000000-1030), obtains an authorized signature, and submits the batch and cash for deposit with the Finance Department/Treasury Division.
- The Custodian must file a Petty Cash and Change Fund Authorization form and a copy of the Cash Out Edit List with the Finance Department/Accounting Division as notification that the fund is closed.

Fund Audits

Departments shall conduct audits of their Petty Cash and Change Funds annually. Audits should be performed by staff other than the Custodian or Alternate. The department should retain documentation verifying completion and findings of the audit.

Exceptions and Exclusions

Petty Cash and Change Funds may not be used for the following:

- to cash personal checks
- make personal loans
- advance travel funds
- cash employee recognition awards¹
- payment for services

or for other non-City business transactions.

Forms

The Petty Cash and Change Fund Authorization Form, Petty Cash Disbursement Form and a Petty Cash Reconciliation Worksheet are available on the City's Intranet using one of the following addresses: <http://156.39.127.140> or <http://www.csj.gov> then select Finance from the Department pull down menu.

¹ Cash employee recognition awards are processed through Payroll

Memorandum

TO: See Distribution

FROM: Dan Kadomoto
Finance/ Disbursements
Manager

SUBJECT: NEW TRAVEL POLICY AND
NEW FOOD & BEVERAGE POLICY

DATE: September 5, 2006
Revised 10/06/06

Travel Policy

On July 31, 2006 a new Travel Policy became effective. You can find this new policy and corresponding travel forms on the Office Employee Relations and Finance Departments Intranet sites, see links below. Two of the substantial modifications to this new policy are outlined below. Please review the policy and if you have any questions, please feel free to contact the Finance department.

The first major modification impacts how all travel related expenses, advances and disbursements to employees are facilitated. All direct payments to employees for travel will now be paid through Payroll. Continue to send all travel forms and back-up to Accounts Payable for processing. Accounts Payable will review and forward on to Payroll for processing. No travel related payments to employees will be processed through FMS. Also, all funds owed to the City by employees for travel advances, will now be deducted from their payroll check.

The second significant modification affects the per diem rates for meals and incidentals. The City has adopted the use of the standard U.S. General Services Continental U.S. (CONUS) per diem rates. The CONUS rate is currently \$39.00 per day. This is the per diem rate that can be claimed when traveling to standard areas as identified by the General Services Administration. When traveling to non-standard areas as identified by the U.S. General Services Administration the CONUS rate for that area will apply. These rates may be retrieved from the following website:

U.S. General Services Administration - Domestic Per Diem Rates

Please review current policy for details. As stated, you will find the new policy and corresponding travel forms on the Office Employee Relations and Finance Departments Intranet sites.

Employee Travel Policy: <http://www.csj.gov/oer/pdf/CPM182.pdf>
Employee Travel Request Form: http://finance/Forms/TravelRequest_06.2006.xls
Employee Travel Statement Form: http://finance/Forms/StmntOfTravel_06.2006.xls

Food & Beverage Expenditure Policy

On July 21, 2006, a new Food and Beverage Expenditure Policy became effective. The policy can be found on the Office Employee Relations intranet site, see link below. The payment vehicles allowed to purchase food and beverages under this new policy are either a City issued credit cards or personal funds. If personal funds are utilized an Employee Reimbursement Form should be completed and forwarded to Accounts Payable.

Accounts Payable will review and forward on to Payroll for processing and payment to employee on their next check. No petty cash should be utilized for the purchase of food and beverages. Please review the policy and if you have any questions, please feel free to contact the Finance department.

Food and Beverage Policy: <http://www.csj.gov/oer/pdf/CPM515.pdf>
Employee Reimbursement Form: <http://finance/EmpReimbursementForm.pdf>

Employee Payments

Both of the above policies will be using the City payroll system to reimburse employees for advances and reimbursement. This is a new procedure for the two policies above, but has been used for non-taxable employee mileage reimbursements. It is being implemented to further consolidate payments to an employee and to reduce or eliminate the effort in other areas, such as petty cash and Accounts Payable check generation.

The taxability of these employee payments conform to the IRS regulations as they did in the old reimbursement procedures. A very high percentage of the employee reimbursements were paid and still will be paid on a NON-TAXABLE basis. If the policies are followed, all employee reimbursement for Travel and Food & Beverage are paid as NON-TAXABLE reimbursements.

Because both of the above policies have been set up as "Accountable Plans" defined by IRS regulation, there are certain City practices that must be paid to employees as a TAXABLE amount. An example of this would be the use of per diem rate in excess of the CONUS rate mentioned above. In this case the amount over the CONUS per diem rate would be taxable, as it would have been before the new procedures were implemented.

Questions / Training

Finance / Disbursements group is planning on providing high level training and Q&A sessions to address the new change to the policy. If you have any questions prior to training, please contact one of the following persons:

Christina Andrade	Accounts Payable	408.53.57082
Anita Pennington	Payroll	408.53.57073
Dan Kadomoto	Disbursements	408.53.57071

CITY OF SAN JOSE, CALIFORNIA

CITY COUNCIL POLICY NO. 9-5

TRAVEL BY ELECTED AND APPOINTED CITY OFFICIALS

BACKGROUND

Council policy to regulate official travel by elected and appointed City officials was established by Council action on October 10, 1972. Subsequently, at the Council Meeting of June 3, 1980, Council directed that this Policy Statement be reviewed and amended as necessary to accommodate the anticipated increase in Council membership resulting from establishment of Council Districts and the changed economic conditions affecting the City which have transpired since this statement was first ordained. On October 7, 1980 Council directed that the revised Policy include reference to applicable portions of Ordinance No. 20366. In 1989 the Policy was amended to add several changes, including the reimbursement of child care expenses, and to make it clearer and more concise. On September 16, 1997, the Policy was amended to address travel by Mayoral and Council unclassified or contractual staff. There have been other changes from time to time, but no changes were made to the Policy between September 16, 1997 and August 8, 2006. The changes made to the Policy on August 8, 2006 were as follows: (1) to provide that only the City Council may designate one or more Councilmembers or members of Boards or Commission to act as the official representative of the City; and (2) to require that all out-of-state travel of an official nature by the Mayor, even if taken at no expense to the City, must be approved by the Council.

PURPOSE

To establish City policy and prescribe guidelines applicable to official travel by elected City officials and their staff, and appointed City officials.

SCOPE

This policy Statement and travel guidelines apply to the Mayor, to Members of the Council, to staff of the Mayor and Councilmembers, to active members of Boards and Commissions and Committees established by Charter or created by Council, and to Council Appointees. Travel by City Officials and employees other than those specified under this Policy Statement shall be administered and regulated by the City Manager pursuant to the City's Administrative Manual, Chapter 141.

1. **Public Purpose:** Travel by City officers and employees is an appropriate activity and expense when performed for a public purpose. Requests for travel shall be limited to events from which the City derives specific benefits through attendance

of a City representative(s), and shall be supported, if needed, by travel brochures, official notifications or other documentation to help Council in considering the travel request.

2. **Expense Reimbursement:** The Mayor, the Mayor's staff, Council Members and their staff, members of City Boards, Commissions and Committees and Council Appointees may be authorized to undertake official travel and be reimbursed by the City for all reasonable and necessary expenses incurred while traveling on City business, subject to the provisions and guidelines prescribed in this Policy Statement and in accordance with applicable provisions in Chapters 4.28 and 12.08 of the San Jose Municipal Code.
3. **Child Care Reimbursement**
 - A. Where in-state or out-of-state travel creates the need for child care, the City will reimburse child care expenses. Expenses may be incurred locally or at the point of destination.
 - B. The reimbursement maximum may not exceed \$5.00 per hour, per child. The total daily maximum is \$80.00 unless special circumstances, e.g., more than one child, dictate otherwise.
 - C. The claim for reimbursement must be supported by signed child care provider receipts, which should be submitted with the completed Statement of Travel Expenses.
 - D. Reimbursement will likely be treated as income by the Internal Revenue Service. The City will not withhold any taxes from the reimbursement.
 - E. The reimbursement maximum may be increased annually, based on the San Jose Consumer Price Index (CPI) beginning July 1, 1991. The Child Care Coordinator shall advise the City Clerk of annual changes to the reimbursement maximum. The City Clerk will amend the Council Policy Manual as necessary.
4. **Official City Representative:** When travel to a conference, convention or other similar event is authorized and undertaken for municipal purposes, one or more Council Members or members of City Boards, Commissions and Committees shall be specifically designated by the City Council or Board/Commission/Committee Chair to act as the official representatives of the City of San Jose.
5. **Travel Approval:** Except as noted below, all out-of-state travel of an official nature, even if taken at no expense to the City, must be approved by Council.

- A. Council approval is not required for travel of Council Members made necessary by standing Council assignments. Travel taken under these conditions without Council approval should be limited to regularly scheduled or specially convened meetings of an official nature. The Mayor and Council Offices should be notified of impending or anticipated travel which is not being submitted for Council approval under this provision.
 - B. Less than a quorum shall usually be the maximum number of Council Members to receive approval for travel at any one time. When a quorum or more of Council Members are requesting approval for travel at the same time, the requests shall be considered together as a group and Council Meetings shall be canceled if necessary as a result of such approvals.
 - C. The Council hereby approves all official travel for which funds are budgeted for the Council Members, and Council Appointees, without separate approval required for Council Members, to meetings of: The U S. Conference of Mayors; National League of Cities and its Committees; League of California Cities and its Committees; and other committees to which appointment is made by the Mayor and/or Council. Council approval is required for all official travel by the Mayor.
 - D. Notwithstanding other provisions contained in this Policy Statement, the Mayor may recommend and Council shall consider revocation or disapproval of travel by Council Members if necessary in order to assure that a quorum is present at regularly scheduled Council Meetings.
6. **Board, Commission and Committee Members:** Travel by members of City Boards, Commissions and Committees which is out of state or exceeds one day in duration shall require Council approval. This approval will take place via the annual budget process. Proposed local, in-state and out-of-state travel should be identified and separately budgeted in the annual budget document by the City department responsible for the Board, Commission or Committee. Travel proposals which arise after the adoption of the budget shall be submitted to the Rules Committee prior to submittal to the City Council. These proposals will include a funding source for the proposed travel.
7. **Council Staff Travel:** The Mayor or Councilmember will review and approve all local, in-state and out-of-state travel by their office staff, whether such assistant is a member of the unclassified civil service or a contract employee, provided funds have been budgeted within the Mayor or Councilmember's own Office Budget.
8. **Funding of Council Travel Activities:** The Mayor and Councilmembers' and their staff's travel activities for public purposes which are beneficial to the City may take many forms. The list below gives criteria for deciding which type of Council travel activity should be funded from what source.

Funding Alternatives :

- A. **Non-City funds:** Non-City funds, e.g., personal or contributed funds, are always a funding alternative. The use of contributed funds requires a Council Resolution.
 - B. **Mayor's Office Budget:** All Mayor's travel and Mayor's staff travel. If activity is requested by the Administration - Manager, Department or Office of Economic Development Budget.
 - C. **Council Office Budgets:**
 - (1) International Travel (Economic Development Budget if so requested by Administration) and all Conferences where Council Member is a delegate, presenter, participant or attendee except for Annual Conferences of the League of California Cities and the National League of Cities.
 - (2) Leadership position or membership on any local or regional organization or committee.
 - (3) All Council Staff travel, except as noted under Council General below.
 - D. **Council General Budget,** subject to the availability of funds as allocated by the Finance Committee each year.
 - (1) Leadership position (Officer, Steering Committee, Executive Board, Policy Committee) of any international, national or state association of governments.
 - (2) Testifying/Lobbying at state or federal level (Department or Manager's Office budgets if so requested by Administration for a specific project.)
 - (3) Other international, national or state organizations as specifically approved by the Rules Committee.
 - (4) Mayor and Council staff support of leadership position in an organization eligible for Council General funding.
9. The Mayor and Council Members will establish their Office travel budget with information/schedules currently available for the upcoming fiscal year during the annual budget process. The Finance Committee will make recommendations regarding the amount to be budgeted for Council General travel during the

normal budget cycle and forward those recommendations to the Mayor for inclusion in the annual budget process.

10. Travel proposals which require Council approval will include justification and identify the funding source if other than the Office Budget of the Mayor or Councilmember. Those members proposing to use Council General Funds shall submit their travel proposal, including justification, to the Rules Committee for approval. The following guidelines should be used by the Rules Committee when reviewing travel requests proposing to use Council General monies:
 - A. Travel is consistent with current adopted budget priorities
 - B. Travel is consistent with current adopted legislative priorities
 - C. Clear monetary benefit must be evident, i.e., testifying regarding legislation that could have an impact on the City's revenues (i.e., SB 2557), as well as legislation that may enhance the City's fiscal integrity.
 - D. Revenue enhancement opportunity clearly attainable.
 - E. Travel must be related to the Mayor or Council Members' roles or duties, i.e., Standing Committee assignment, liaison assignment, task force assignment, etc.
 - F. If there are multiple requests to testify/lobby on the same issue, justification must be given for the appropriate number needed to testify.
 - G. Discretion given to the Rules Committee to safeguard that all available Council General monies for a given fiscal year not be spent on one trip or by any one Council Member.

For those proposals asking for Council General funding, the City Clerk's Office will add a statement of how much uncommitted Council General travel budget remains and how much year-to-date each Member has used of the Council General travel budget.

11. **Accountability and Authority:** The Council is the responsible authority.
12. **Procedures:** The following procedures apply to travel by elected City officials and their staff, and appointed City officials.
 - A. An advance of funds for anticipated travel expenses shall be granted upon submission of a "Request for Advance of Funds" to the Director of Finance.

- B. Reimbursement for actual expenses incurred in travel, which meet the conditions defined in this Policy Statement shall be granted upon submission of a Statement of Travel Expenses to the Director of Finance within fifteen working days of return. Receipts for the following expenses must be included:
- (1) Transportation (public carrier)
 - (2) Hotel
 - (3) Registration
 - (4) Meals
 - (5) Child Care
 - (6) Other reasonable and necessary expenses, e.g., car rental when necessary.
- C. Generally, reimbursement for hotel rooms shall be limited to single-room accommodations. The Mayor shall be authorized one-bedroom suite accommodations whenever deemed necessary for the benefit of the City.
- D. Travel expenses not generally considered reasonable and necessary shall not be reimbursable. These include, but are not limited to:
- (1) Fines for traffic violations
 - (2) Dry cleaning and laundry expenses
 - (3) Non-business transportation expenses
 - (4) Expenses for spouses, other family members or unauthorized guests
 - (5) Non-business related telephone calls
 - (6) Entertainment expenses, unless the entertainment serves a municipal purpose.
- E. Travel and related expenses may constitute a gift prohibited by Chapter 12.08 of the San Jose Municipal Code unless authorized by a majority of the Council. This policy shall be interpreted in accordance with said chapter of the Municipal Code. Any request for Council approval of travel which would constitute a prohibited gift in the absence of Council approval

shall be supported by travel brochures, official notifications or other documentation to help Council in considering the travel request.

F. When traveling on official City business by scheduled air carrier, use of the San Jose International Airport as the origin and destination point shall be mandatory unless:

- (1) Scheduled air carrier service to or from the destination is not available from San Jose International Airport; or
- (2) There is more than a one and one-half hour scheduled layover at any intermediate airport before reaching the final destination from flights arriving or departing from San Jose International Airport compared to flights arriving or departing from other Bay Area airports.

G. The Mayor, Council Members, their staff, members of Boards, Commissions and Committees and Council Appointees may be asked to submit or present to Council a report on the results of their travel within fifteen working days of their return to San Jose. When funding is allocated from the Council General Fund, the Mayor and Council Members are required to submit or present to Council a report on the results of their travel within fifteen working days of their return to San Jose.

The report may include, but in no way be limited to:

- (1) A listing of any workshops, seminars, presentations, speeches or other sessions attended with descriptions of information gathered;
- (2) A listing of any presentations made with a description of information presented;
- (3) A listing of individuals or groups with whom the Council Member or Mayor met while traveling including subjects addressed at the meeting and any outcome of the meeting.

Chapter 4.28

OFFICIAL TRAVEL 6

Sections:

4.28.010 Mayor, vice mayor and councilmembers - Travel expenses authorized when.

4.28.050 Travel within the state but outside the county - City council authority.

4.28.060 Travel outside the state - City council authority.

4.28.010 Mayor, vice mayor and councilmembers - Travel expenses authorized when.

The mayor and the vice mayor are hereby authorized to attend meetings and functions within the county of Santa Clara when their presence, in their official capacities at such meetings or functions is requested by citizens and residents of the city of San José, or the county, and each councilmember of the city, including said mayor and vice mayor, is hereby authorized and each is hereby delegated as a committee of one, to inspect and investigate conditions in and about the city's public streets, properties and places in and about other parts of the city and/or in the county of Santa Clara, and to meet with and attend meetings, in their official capacities, within the county with representatives of other governmental bodies and/or with citizens and residents of the county, all for the purpose of securing or exchanging firsthand information and knowledge respecting the many municipal problems and matters presented to or coming before the city council for consideration, decision, determination or legislation or for any other municipal purpose.

(Prior code § 2907.20.)

4.28.050 Travel within the state but outside the county -City council authority.

The council may adopt, amend from time to time, and otherwise provide regulations governing travel within the state but outside the county of Santa Clara by officer and employees of the city, and specifying grounds upon which expenses thereof may be reimbursed or paid in advance. Such regulations may be promulgated and amended by resolution of the council.

(Prior code § 2907.10.)

4.28.060 Travel outside the state - City council authority.

The council may adopt, amend from time to time, and otherwise provide regulations governing travel outside the state of California by officers and employees of the city and specifying grounds upon which expenses thereof may be reimbursed or paid in advance. Such regulations may be promulgated and

amended by resolution of the council.

(Prior code § 2907.1.)

Endnotes

6. For Charter provisions on reimbursement of officers and employees for actual and necessary expenses, see Charter § 902.

Disclaimer:

This Code of Ordinances and/or any other documents that appear on this site may not reflect the most current legislation adopted by the Municipality. American Legal Publishing Corporation provides these documents for informational purposes only. These documents should not be relied upon as the definitive authority for local legislation. Additionally, the formatting and pagination of the posted documents varies from the formatting and pagination of the official copy. The official printed copy of a Code of Ordinances should be consulted prior to any action being taken.

For further information regarding the official version of any of this Code of Ordinances or other documents posted on this site, please contact the Municipality directly or contact American Legal Publishing toll-free at 800-445-5588.

© 2005 American Legal Publishing Corporation
techsupport@amlegal.com
1.800.445.5588.

Memorandum

TO: Mayor and Council Members
SUBJECT: Mayor and Council Travel Fund and
the Council Travel Policy Matrix

FROM: Lee Price, City Clerk
DATE: January 26, 2005

Information Only

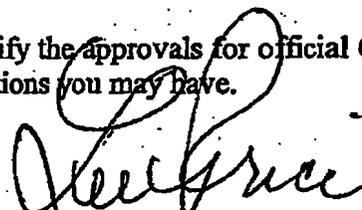
A "Matrix of Travel Approval Requirements" was previously created by this Office to summarize the approvals necessary for each type of official travel undertaken by the Mayor, Council Members and their unclassified staff. The Council's recent creation of a Mayor and Council Travel Fund provides an opportunity to revisit the Matrix and the approvals required for official travel.

While the adopted Council Policy on Travel (City Council Policy No. 9-5, attached) has not changed since 1997, the creation of the new Travel Fund provides an additional funding alternative for certain types of official travel, especially now that the Council General Travel budget mentioned in the Policy is currently defunded. The guidelines for use of this fund were approved by Council on October 19th, 2004 and list the following criteria for use of the Mayor and Council Travel Fund:

- The annual City-to-City trip jointly sponsored by the San Jose/Silicon Valley Chamber of Commerce, San Jose State University and the City of San Jose;
- Trips to advocate for priority legislation when appointed by Council to represent the City's position;
- Trips to represent the City on Boards and Committees of the League of California Cities, the U.S. Conference of Mayors or the National League of Cities when appointed by the Council or otherwise officially appointed to serve on such boards or committees

The Travel Matrix has been updated to show that use of the Fund for travel requires Rules Committee approval. The Matrix also shows that separate Council approval is always required for any out-of-state travel that does not meet the criteria for use of the new fund and travel using donated funds requires a Resolution to accept the funds as a gift to the City.

I hope the attached matrix helps to clarify the approvals for official Council travel. I am available to answer any additional questions you may have.


Lee Price, CMC
City Clerk



**MATRIX OF TRAVEL APPROVAL REQUIREMENTS
FOR OFFICIAL TRAVEL BY
MAYOR AND CITY COUNCIL MEMBERS ***

	Mayor/Council Member approves travel	Rules Committee approves the funding source	City Council approves the travel
In-state travel using District budget or Mayor's Office budget	●		
Out-of-state travel using District budget or Mayor's Office budget			●
International travel using District budget or Mayor's Office budget			●
Travel when officially appt'd to LCC, NLC or US Conference of Mayors Committees		●	
Travel when appt'd by Council to represent the City to advocate for legislation		●	
Travel on the annual City-to-City trip sponsored by SJSU & Chamber of Commerce		●	
LCC, NLC or US Conference of Mayors conference using District or Mayor's budget**	●		
In-state travel using another department's budget or another govt entity budget	●		
Out-of-state travel using another dept's budget or another govt entity budget			●
International travel using another dept's budget or another govt entity budget			●
Any official travel using funds donated as a gift to the City			●

* Any official travel by Council Assistants or Mayor's Assistants is approved by the Council Member or Mayor

** If an NLC or US Conference of Mayors meeting/conference is out-of-state, separate City Council approval is not necessary

Food and Beverage Expenditure Policy (Non-Travel) 5.1.5**PURPOSE**

To provide guidelines for purchases of food and beverages with City funds.

POLICY

1. In limited circumstances, Departments may provide food and non-alcoholic beverages with City funds. All food and beverage expenditures shall be paid from each department's existing budget. Examples of situations for which City funds may be used for food and beverages include:
 - Staff training sessions where it is not practical to disrupt the session for an offsite lunch break. For this policy, staff training may be defined as development, leadership, or specialized training essential to help staff acquire subject matter expertise in their functional areas.
 - Non-regularly scheduled meetings, held during the lunch hour, where it is not practical to go off-site for lunch to complete City business or meetings held during non-business hours (i.e. early morning meetings, evening meetings, or weekends) where it is not practical or may be disruptive to go offsite to obtain food or beverages.
 - Anticipated long City Council meetings where it would not be practical for the City Council and staff to go offsite.
 - Recognition events, receptions, special events, and/or meetings where the City Council, City or Agency is hosting individuals, groups, etc. and provide food/beverage services to reflect the City's hospitality.
 - Minimal food and beverage purchases, such as bagels and coffee, may be made for meetings and trainings as approved by the Department Director or City Manager. These purchases should be reasonable for the meeting purpose and attendees. Any questionable expenses may be reviewed by the Director of Finance for appropriateness.
 - A maximum of \$15 per employee attending the function per year may be spent on recognition events such as picnics or luncheons.

Note: If a training or a meeting runs through an employee's lunch, hourly employees may need to be compensated for that time. Please consult with the Office of Employee Relations.

2. This allowance shall not result in the purchase of food and beverages for common daily work needs, which are purchased through pooled employee contributions (i.e. water service, coffee service, etc.). **No alcoholic beverage purchases will be reimbursed.**

Food and Beverage Expenditure Policy (Non-Travel) 5.1.5

3. The Department Director or designee shall be responsible for all food and beverage expenditures and shall ensure that these expenditures are reasonable, are within budgetary limits, and are consistent with the intent of this policy.

PROCEDURES

- | | |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Supervisor | <ol style="list-style-type: none">1. Purchase food and/or non-alcoholic beverages using either City credit card or personal funds.2. Submit receipt, and Employee Reimbursement Form if personal funds were used, to Department Director or Designee. |
| Department Director or Designee | <ol style="list-style-type: none">3. Review and approve credit card statements or approve reimbursement on the Employee Reimbursement Form.4. Track non-travel food and beverage expenditures for the Department.5. If employee reimbursement is required, send Employee Reimbursement Form to Finance/Disbursement (Accounts Payable) for review and processing. |
| Accounts Payable | <ol style="list-style-type: none">6. Review food and beverage purchases for compliance with the City's Food and Beverage Policy.7. If applicable, process employee reimbursement through Payroll. |

Approved:

/s/ Les White
City Manager

July 21, 2006
Date

Memorandum

TO: See Distribution

FROM: Dan Kadomoto
Finance/ Disbursements
Manager

SUBJECT: NEW TRAVEL POLICY AND
NEW FOOD & BEVERAGE POLICY

DATE: September 5, 2006

Travel Policy

On July 31, 2006 a new Travel Policy became effective. You can find this new policy and corresponding travel forms on the Office Employee Relations and Finance Departments Intranet sites, see links below. Two of the substantial modifications to this new policy are outlined below. Please review the policy and if you have any questions, please feel free to contact the Finance department.

The first major modification impacts how all travel related expenses, advances and disbursements to employees are facilitated. All direct payments to employees for travel will now be paid through Payroll. You will continue to send all travel forms and back-up to Accounts Payable for processing. Accounts Payable will review and forward on to Payroll for processing. No travel related payments to employees will be processed through FMS. Also, all funds owed to the City by employees for travel advances, will now be deducted from their payroll check.

The second significant modification affects the per diem rates. The standard CONUS per diem rate is now \$39.00 per day. That is the rate for incidentals expenses that can be claimed when traveling to standard areas as identified by the General Services Administration. When traveling to non-standard areas as identified by the General Services Administration the CONUS rate for that area will apply.

Please review current policy for details. As stated, you will find the new policy and corresponding travel forms on the Office Employee Relations and Finance Departments Intranet sites.

Employee Travel Policy: <http://www.csj.gov/oer/pdf/CPM182.pdf>
Employee Travel Request Form: http://finance/Forms/TravelRequest_06.2006.xls
Employee Travel Statement Form: http://finance/Forms/StrmntOfTravel_06.2006.xls

Name
Subject
Date
Page 2 of 2

Food & Beverage Expenditure Policy

On July 21, 2006, a new Food and Beverage Expenditure Policy became effective. You can find this policy on the Office Employee Relations intranet site, see link below. The payment vehicles allowed to purchase food and beverages under this new policy are either a City issued credit cards or personal funds. If personal funds are utilized an Employee Reimbursement Form should be completed and forwarded to Accounts Payable.

Accounts Payable will review and forward on to Payroll for processing and payment to employee on their next check. No petty cash should be utilized for the purchase of food and beverages. Please review the policy and if you have any questions, please feel free to contact the Finance department.

Food and Beverage Policy: <http://www.csj.gov/oer/pdf/CPM515.pdf>
Employee Reimbursement Form: <http://finance/EmpReimbursementForm.pdf>

Finance / Disbursements group is planning on providing high level training and Q&A sessions to address the new change to the policy. If you have any questions prior to training, please contact on of the following persons:

Christina Andrade	Accounts Payable	408.53.57082
Anita Pennington	Payroll	408.53.57073
Dan Kadomoto	Disbursements	408.53.57071

Part 8

OFFICEHOLDER ACCOUNTS

Sections:

12.06.810 Intent.

12.06.820 Mayor's officeholder accounts.

12.06.830 Mayor's officeholder account uses.

12.06.840 Councilmember officeholder accounts.

12.06.850 Mayor and councilmember officeholder account freeze period.

12.06.860 Councilmember officeholder account uses.

12.06.870 Restrictions on officeholder accounts.

12.06.880 Prohibition on other officeholder accounts.

12.06.890 Officeholder disclosure.

12.06.810 Intent.

It is the intent of the city council of the city of San José in enacting this part to place limits on the amount individuals may contribute to officeholders in order to prevent the perception by the public that such contributions may give rise to undue or improper influence over elected officials.

(Ords. 24499, 24577, 25257, 26440, 27290.)

12.06.820 Mayor's officeholder accounts.

A. Contributions to the mayor's officeholder account are limited to five hundred dollars per calendar year from any person and may not be collected during the officeholder freeze period.

B. The contributions to the mayor's officeholder account are limited to fifty thousand dollars in the aggregate within any calendar year.

(Ords. 24499, 24577, 25257, 25446, 25447, 26440, 27290.)

12.06.830 Mayor's officeholder account uses.

A. Officeholder contributions are not campaign contributions for purposes of this chapter. Such contributions are solely intended to facilitate the performance of the incumbent officeholder. Any use for the mayor's campaign purposes or expenditures in connection with any election by the Mayor for elective office is prohibited.

B. Expenditures from the mayor's officeholder account may be made for any political, legislative, governmental or other lawful purpose. Such expenditures include but are not limited to expenditures for fund-raising for the officeholder account; expenditures of donations to tax-exempt charitable, civic or service organizations; contributions or expenditures to support or oppose candidates seeking election to an office other than an elective city office; and contributions or expenditures to support or oppose ballot measures.

C. Contributions shall not be expended directly for salaries of the mayor's office personnel. However, funds may be donated to the city of San José and appropriated by the city council for the mayor's office personnel.

(Ords. 24499, 24577, 25257, 26440, 27290.)

12.06.840 Councilmember officeholder accounts.

A. Contributions to councilmember officeholder accounts are limited to two hundred fifty dollars per calendar year from any person and may not be collected during the officeholder account freeze period.

B. The contributions to the officeholder account are limited to ten thousand dollars aggregate within any calendar year.

(Ord. 27290.)

12.06.850 Mayor and councilmember officeholder account freeze period.

The officeholder account freeze period is the period from the beginning date of the campaign contribution collection period for any office for which the officeholder is eligible to run until the election is ended or the candidacy is formally withdrawn.

(Ords. 25446, 25447, 26440, 27290.)

12.06.860 Councilmember officeholder account uses.

A. Councilmember officeholder contributions are not campaign contributions for purposes of this chapter. They are solely intended to be used to facilitate the performance of the incumbent officeholder. Any use for campaign purposes is prohibited.

B. Councilmember officeholder funds are to be used exclusively for officeholder expenses and constituent services, including but not limited to newsletter expenses, subscribing to publications, taking constituents to dinner to discuss city business, defraying the cost of trips made in connection with the discharge of official duties and attending community events.

C. Contributions shall not be expended directly for salaries of a councilmember's or mayor's office personnel. However, funds may be donated to the city of San José and appropriated by the city council for office personnel.

(Ord. 27290.)

12.06.870 Restrictions on officeholder accounts.

A. No officeholder or controlled committee of the officeholder may solicit or accept contributions for

the purpose of paying officeholder expenses during the officeholder account freeze period.

B. No expenditures shall be made from an officeholder account during an officeholder account freeze period, except that nothing herein shall preclude the payment of obligations incurred for services or goods received prior to the officeholder account freeze period.

C. For purposes of this part, the officeholder account freeze period does not apply to:

1. Officeholders who are ineligible to run for any city office during the officeholder account freeze period; and

2. Officeholders who have made a final determination not to run for any city office during the election cycle and have filed a statement of noncandidacy for city office with the office of the city clerk. Until such statement is filed, no expenditures shall be made from an officeholder account during the officeholder account freeze period.

(Ords. 24499, 24577, 25257, 25446, 25447, 26440, 27290.)

12.06.880 Prohibition on other officeholder accounts.

A city officeholder, and any person or committee on behalf of a city officeholder, is hereby prohibited from establishing an officeholder account or an account established under the Political Reform Act for the solicitation and expenditure of officeholder funds, except as provided in this chapter. Nothing in this section shall prohibit an officeholder from spending personal funds on official or related business activities.

(Ord. 27290.)

12.06.890 Officeholder disclosure.

Reporting and disclosure of the mayor's officeholder account and the councilmember officeholder accounts shall be done in accordance with the requirements of the Political Reform Act, (California Government Code Sections 81000 et seq. as amended) and the San José Municipal Code.

(Ords. 24499, 24577, 25257, 26440, 27290.)

Part 9 CAMPAIGN DISCLOSURE

Sections:

12.06.910 Statements and reporting requirements.

12.06.920 Duties of the city clerk.

12.06.930 Disclosure of post-election payment agreements.

12.06.910 Statements and reporting requirements.

A. Each candidate and each committee, except committees whose sole purpose is to support or oppose a ballot measure, shall file, as a public record with the city clerk, cumulative itemized reports at the times specified herein showing the total amounts of contributions accepted and expenditures made. The required statements may be completed on campaign statement forms required to be filed by the regulations of the fair political practices commission so long as such forms are completed in sufficient detail to comply with the requirements of this chapter. Such statements shall contain a declaration by the candidate or committee treasurer that the candidate or committee has neither accepted nor solicited any campaign contribution in excess of the limitations of this chapter.

B. The listing of contributions shall include all contributions accepted during the campaign contribution collection periods specified in this chapter including all amounts less than one hundred dollars.

C. The first and second campaign statements shall be filed at the times prescribed for pre-election statements by the Political Reform Act. The second statement shall in addition include all contributions accepted through the end of campaign contribution collection period specified in Section 12.06.290.

D. Thereafter, semi-annual statements shall be filed in the form and at the times required by the regulations of the fair political practices commission.

(Ords. 24499, 24577, 24733, 25257, 26440.)

12.06.920 Duties of the city clerk.

A. The city clerk shall, five days prior to the election, prepare a report to be published in the *San José Mercury News*. The report shall contain the total contributions and expenditures for each of the candidates and for each independent committee. The clerk shall cause the report to be published two days prior to the election.

B. In the event the city clerk has reason to believe a late contribution has not been reported, the clerk shall notify the ethics board.

(Ords. 24499, 24577, 25257, 26440.)

12.06.930 Disclosure of post-election payment agreements.

A. A candidate or his or her controlled committee must disclose, on a form provided by the city clerk, any campaign-related agreements entered into by the candidate or controlled committee which provide for post-election payments. Such agreements include, but are not limited to, contingency payment or "bonus" payment plans offered by campaign consultants and agreements with persons who will receive compensation after the election for campaign services performed prior to the election.

B. A post-election payment agreement must be reported on or before the filing date of the next preelection statement which must be filed after the agreement is entered into.

(Ords. 24499, 24577, 25257, 26440.)

Disclaimer:

This Code of Ordinances and/or any other documents that appear on this site may not reflect the most current legislation adopted by the Municipality. American Legal Publishing Corporation provides these documents for informational purposes only. These documents should not be relied upon as the definitive authority for local legislation. Additionally, the formatting and pagination of the posted documents varies from

the formatting and pagination of the official copy. The official printed copy of a Code of Ordinances should be consulted prior to any action being taken.

For further information regarding the official version of any of this Code of Ordinances or other documents posted on this site, please contact the Municipality directly or contact American Legal Publishing toll-free at 800-445-5588.

© 2005 American Legal Publishing Corporation
techsupport@amlegal.com
1.800.445.5588.