



CITY OF SANTA BARBARA

FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: June 23, 2015

TO: Finance Committee

FROM: General Services Division, Finance Department

SUBJECT: Proposed Amendments To Purchasing Code

RECOMMENDATION: That the Finance Committee:

- A. Hear a report on proposed amendments to Chapter 4.52, Purchasing, of the Santa Barbara Municipal Code regarding bidding thresholds; and
- B. Recommend City Council approval of the proposed changes.

EXECUTIVE SUMMARY:

The City's bidding thresholds in Chapter 4.52 of the Municipal Code were last updated in 2009. Since then, the cost of goods and services has increased, a buyer position was eliminated, and the Purchasing Division has taken on new responsibilities. With the goal of improving operational efficiencies and customer service, Purchasing Division staff reviewed the Municipal Code to look for areas that need to be updated with a focus on the monetary bidding thresholds. The City's current monetary thresholds for bidding are low when compared to other similar public agencies. Increasing the thresholds would streamline the procurement process, and improve service by allowing Purchasing staff to focus on higher value purchases where there are greater opportunities for savings.

DISCUSSION:

The City's purchasing operations are governed by Chapter 4.52 of the Municipal Code. The purpose of the code is "to establish efficient procedures for the purchase of supplies, non-professional services and equipment at the lowest possible cost commensurate with the quality needed, to exercise positive financial control over purchases, to clearly define authority for the purchasing function...".

The Purchasing Code ("Code") was last updated in 2009. Since then the cost of acquiring goods and services has increased, a buyer position was eliminated, and the Purchasing Division has taken on new responsibilities for supporting the requisitioning, purchasing, and contracting modules of the new financial system.

Purchasing staff compared the City's monetary bidding thresholds to other public agencies in the area. The comparison showed the City had much lower thresholds and was the only agency to have a separate threshold for maintenance and repair services. Many agencies did not require any competition until the purchases exceeded \$10,000.

Existing Purchasing Thresholds

The Code imposes more stringent requirements for purchases exceeding \$25,000 versus those purchases of \$25,000 or less. Although maintenance and repair activities are a general service, the City Council established a higher threshold of \$75,000 for maintenance and repair services (Resolution 97-052) as opposed to the \$25,000 threshold for other ordinary services.

Section 4.52.060 of the Purchasing Code governs purchases up to \$25,000. These requirements are less stringent than the requirements for purchases over \$25,000 discussed below.

- Purchases of \$2,500 or less can be made without competitive bids (a single quote);
- Purchases over \$2,500 and up to \$25,000 require three (3) quotes whenever possible in writing or by telephone (informal competition);
- Section 4.52.070 of the Purchasing Code governs the purchases exceeding \$25,000 and requires a "formal" purchasing procedure be followed (advertising). These requirements include:
 1. Advertising of the bids
 2. Received bids must be sealed
 3. Public bid opening
 4. Award of purchase order to the lowest, responsive, and responsible bidder

Proposed Changes

Besides having low thresholds compared to other similar public agencies, the City was the only agency that had a different threshold for maintenance and repair activities versus other ordinary services. Having a higher monetary threshold for maintenance and repairs than ordinary services is confusing to the departments and creates an artificial incentive for departments to classify work as maintenance and repair because of the higher threshold.

While many of the public agencies had thresholds higher than those being proposed, we believe the proposed thresholds are appropriate for the City based on its past spending patterns. The table below summarizes the procurement process, and current and proposed changes to the monetary thresholds.

Procurement Process	Current Threshold	Proposed Threshold
Single Quote	\$2,500	\$7,500
Informal Quotes	\$2,501 to \$25,000	\$7,501 to \$75,000
Formal Bids (goods & services)	\$25,001 or more	\$75,001 or more
Formal Bids (maintenance)	\$75,001 or more	\$75,001 or more

Increasing the monetary thresholds will streamline procurement operations by reducing the amount of time and effort spent on low dollar purchases of ordinary goods and services where there are little opportunities for savings, align the workload with Purchasing staffing levels, and allow Purchasing staff to focus their efforts on the purchases that have the highest potential for savings.

To analyze the potential impacts of increasing the monetary bidding thresholds, purchase orders were segregated by various dollar levels, which are summarized in the table below.

Under the current thresholds, 26% of the purchase orders issued are \$2,500 or less. The percent would increase to 53.5% if the threshold is increased to \$7,500. At the \$7,500 threshold, the cumulative value of the purchase orders issued only represents 7.5% of the aggregate value of all purchase orders issued. This is not an effective use of staff time and resources. The below table highlights the potential impacts of changing the thresholds with the proposed thresholds in bold.

Threshold	% of Purchase Orders	% of Total Purchase Order Spending	Process
\$2,500 ≤	26.1%	1.8%	Single Quote
\$7,500 ≤	53.5%	7.5%	Single Quote
>\$2,500 & \$25,000≤	56.2%	22.9%	Informal
>\$7,500 & \$75,000≤	39.4%	37.7%	Informal
>\$25,000	17.7%	75.2%	Formal
>\$75,000	7.1%	54.8%	Formal

Other Proposed Changes to the Code

In addition to the proposed changes to bidding thresholds, staff proposes minor revisions to the Code as follows:

1. Often, the cheapest software solution is not the best value because it does not best meet our needs and requirements. To recognize the unique aspects of information technology acquisitions, authorize the acquisitions of information technology on a best value basis using evaluation criteria other than cost alone.
2. Exclude the following purchases from the competitive award requirements because the purpose of open and competitive awards cannot be met because of their unique characteristics. For example, Parks may not want to advertise their recreational activities on the cheapest radio station because it may not have the target audience they seek.
 - a. print, radio, television, and on-line advertising
 - b. renewals of software license and maintenance/support
 - c. memberships
 - d. training
 - e. housing and furniture rentals for Police cadets
3. Authorize the use of State of California Multiple Award Schedules (CMAS) contracts and Leveraged Purchase Agreements under Section 4.52.140, Cooperative Purchasing. CMAS contracts are based on contracts previously bid and awarded on a Federal General Services Administration (GSA) schedule with the State of California adding terms and conditions to comply with California procurement codes. Public Contracting Code Sections 10298 and 10299 authorize local government agencies to use CMAS and other Department of General Services agreements.
4. Increase the Council reporting requirements from \$25,000 to \$35,000 under Section 4.52.080, Emergency Purchases, to match the increased authority delegated to the City Administrator in Resolution 14-065.

BUDGET/FINANCIAL INFORMATION:

There are potential savings because significant staff time spent on low dollar purchases with little or no opportunity for savings will be freed up to focus on higher value and more critical purchases.

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APPROVED BY: City Administrator's Office