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Audit and Finance Committee	8

Meeting Date: October 25, 2010

TOWN OF MORAGA STAFF REPORT

To: **Audit and Finance Committee**

From: **Emily Boyd, Interim Administrative Services Director**

Subject: **Review Purchase Ordinance proposed amendment and provide recommendation regarding fiscal thresholds.**

Request

Review Purchase Ordinance proposed amendment and provide recommendation regarding fiscal thresholds.

Background

The current Chapter 3.04 Purchasing System and Chapter 3.06 Uniform Construction Cost Accounting Act Procedures were last updated in 2004.

Discussion

Fiscal Thresholds

Fiscal thresholds are set for the purpose of determining the procurement process based upon the estimated cost of the item. The thresholds include:

1) Dispense with bidding – when an item is of such a low estimated cost that the bidding process would unnecessarily add expense.

2) Informal bidding – characterized by a minimum of three oral or written price quotes or proposals and usually falls between dispense with bidding and formal bidding in amount.

3) Formal bidding – requires specific procedures (notice inviting bids, requests for proposals, bid openings, etc.) and is reserved for items of an estimated cost large enough to justify the expenses incurred in conducting the process.

Town Manager's Contract Signing Authority

The Town Manager's contract signing authority is the amount the manager can authorize without requiring Town Council approval, ***providing monies have been appropriated and there is an unexpended unencumbered balance of such appropriation sufficient to pay the item, and the appropriate procurement procedures have been followed.***

A survey of nearby cities and their fiscal thresholds follows:

Bidding/Contract Signing	Danville	Lafayette	Orinda	San Pablo
Dispense with Bidding	2,500	1,500	1,000	5,000
Informal Bidding	2,500 - 15,000	1,500 - 10,000	1,000 - 10,000	5,000 - 25,000
Formal Bidding	15,000	10,000	10,000	25,000
Manager's Contract Authority	25,000	10,000	25,000	25,000

Staff recommends that Moraga adopt the following thresholds:

Dispense with bidding	under 2,000
Informal bidding	2,000 – 15,000
Formal bidding	15,000
Town Manager's Contract Signing Authority	15,000

Amendments to the Ordinance

Attachment A contains Municipal Code Sections 3.04 and 3.06 with markups.

<u>Adding Section 3.04.030 Contract authority of the town manager.</u> This codifies the town manager's contract authority, the threshold under which the manager can sign contracts, or commit the Town financially, without express Town Council approval.

<u>Adding Section 3.04.045 Purchasing Procedures</u>. This codifies the requirement for an administrative purchasing procedure. An administrative procedure establishes the process under which the ordinance will be implemented. A procedures manual provides department managers and line staff with precise guidelines.

<u>Adding Section 3.04.060 and 3.040.070</u>. These codify how professional consultants may be hired and how vehicles may be purchased.

<u>Amending Sections 3.04.080, 3.04.090, and 3.04.110</u>. These sections are amended to simplify the amount which triggers various procurement procedures by combining supplies, equipment, and services into one threshold. Section 3.04.080 allows for bidding to be dispensed with under certain situations such as emergency, single vendor availability, and for items estimated to be less than $15,000. Section 3.04.110 outlines informal bidding for items estimated to be between $2,000 and $15,000. Section 3.04.090 outlines formal bidding requirements for items estimated to be greater than $15,000.

Adding Section 3.06.040. This section codifies how change orders are to be handled.

Adding Section 3.06.050. This section codifies formal bid procedures for public contracts.

Adding Section 3.06.060. This section codifies how emergency repairs are to be handled.

Efficiencies Derived from the Amendments

Establishing the Town Managers signing authority at $15,000, as well as allowing informal bids for procurements estimated to be between $2,000 and $15,000, will yield savings to the Town in both staff time and execution time. A formal bidding process requires more staff time for preparation of an RFP, than does an informal bidding process that requires less paperwork. Further, any vendors will not respond to RFP's with small estimated revenues to them.

Some examples of inefficiencies and delays caused by the current policy:

Bollinger Canyon slide and fence repair $5,800 – Repairs were delayed several weeks while staff issued formal bids, waited for responses, and then presented the project to the Town Council.

Holiday Tree Lighting $5,850 – Due to the requirement for formal bidding of all items above $5,000, staff issued a Request for Proposals (RFP) and received no responses. Staff then engaged the vendor who had done the work the preceding year.

Weed Abatement $7,900 and Discing Fire Breaks $3,600 – Safety hazards may be the result of not being able to handle these projects in a timely manner. An informal bidding process with the Town Manager having the authority to sign small contracts would expedite handling time sensitive tasks.

Fiscal Impact

There is no direct fiscal impact to amending the ordinance or establishing the Town Manager's signing authority. The indirect fiscal impact of the proposed changes is to provide greater efficiency in Town operations by providing staff with clearer directions.

Alternatives

1) Provide recommendations regarding proposed amendments and fiscal thresholds.
2) Decline to provide recommendations to staff.

Recommendations

Provide recommendations regarding proposed amendment to the purchasing ordinance and fiscal thresholds.

Report reviewed by: D. Michael Segrest, Town Manager

Attachments:

A. Muni Code Chapters 3.04 and 3.06 with markups