

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 08/14/06		Item Number: <u>A-6</u>	
AGENDA ITEM: Discussion of Criteria for Re-bidding of City Contracts.			
Contact Person/Dept.: Martin R. Cole, ACM Phone Number: (310) 253-6000			
Fiscal Impact: Yes ☐ No ☒		General Fund: Yes ☐ No ☐	
Public Hearing: ☐		Action Item: ☒	Attachments: ☒
Public Notification: Master Notification List (08/09/06)			
Department Approval: Martin R. Cole (08/09/2006)		City Manager's Approval: Jerry B. Fulwood (08/09/2006)	
City Controller Approval: Marlee Chang (08/09/2006)			

RECOMMENDATION

Staff recommends the City Council discuss criteria for re-bidding of City contracts and direct staff as deemed appropriate.

BACKGROUND

The New Charter of the City of Culver City (New Charter) took effect on July 1, 2006. Sections 1604 (Contracts for Public Works) and 1605 (Purchasing of Supplies, Materials, and Equipment) provide general guidance on procedures related to the purchase of supplies, materials, and equipment required by City departments. Specifically, Section 1604 requires the City Council: "[to] establish, by ordinance, procedures to ensure the integrity of awarding all contracts for the construction or improvement of public works, buildings, streets, drains, sewers, utilities, parks and playgrounds." Section 1605 requires the City Council "[to] establish procedures for the purchasing, storing and distribution of all supplies, materials and equipment required by any City department."

The passage of the New Charter provides the City Council with an opportunity to update the current sections of the Municipal Code that, in some cases, are inconsistent, somewhat confusing, and date back to 1965. While Municipal Code amendments must be accomplished via ordinance, the purpose of this report is to provide the Council with an opportunity to provide general direction related to a single area of interest to the City Council: the procedures applicable to when city contracts shall be subject to re-bidding. The general direction received from the City Council will be used by staff while drafting the ordinance related to purchasing for presentation to the City Council for consideration at a future City Council meeting.

City of Culver City, California
City Council Agenda Item Report

During prior City Council meetings, the City Council has expressed an interest in updating and clarifying the City's bidding and purchasing procedures. Generally speaking, City Council members expressed the following:

- The importance of bidding, when practical and cost-efficient, to encourage competition and achieve lower costs for City purchases; and,
- Limitation, when practicable, continual renewal of contracts to the same vendor year after year.

Members did express an interest in reviewing the procedures related to the renewal of contracts to the same vendor. This interest included contracts awarded in a single fiscal year and over two or more fiscal years.

During discussion of this item, the City Council may wish to consider two important components related to City contracts: (1) Amounts to the Same Vendor, and (2) Time Limits to the Same Vendor. These will both be discussed below.

(1) Amounts to the Same Vendor

In prior meetings, the City Council has expressed the desire to establish some dollar limit on the amount payable to a single vendor. In the past, the amount discussed was \$10,000.

The City Council may wish to discuss the applicability of the \$10,000 limit in the context of how this limit is applied. For example, is it applicable on a "per fiscal year basis" where the dollar limit established by the City Council is renewed each fiscal year? Or is it the Council's desire to place an aggregate, lifetime limit of \$10,000 to an individual vendor?

(2) Time Limits to the Same Vendor

Does the City Council desire to place a time limitation on contract renewal to an individual vendor regardless of contract amount?

DISCUSSION

When developing a policy related to contract renewal, it is important to balance the benefits of competitive bidding with the time and resources necessary to complete the competitive bidding process. Additionally, there are some vendors who provide a specialized product or service. In such cases, obtaining a second (or more) bid may be impossible or difficult. A third important aspect of some contracts is the historical knowledge of either the City as a whole or of a specific project (for

City of Culver City, California
City Council Agenda Item Report

example, Symantec). In these cases, the historical knowledge and experience has an indirect value that may outweigh any direct dollars saved through the competitive bidding process.

When determining the criteria for requiring a re-bid of contracts, the City Council should also Consider the potential impacts on a project's time frame and the related budget impacts.

To assist the City Council, staff has provided excerpts from the municipal codes from the cities of Beverly Hills, Santa Monica, and West Hollywood.

Additional Items Related to Purchasing

Based upon a review of the municipal code sections from our fellow Westside Cities Council of Governments members, there are other items related to purchasing (such as contract amounts executable by staff, purchase levels requiring purchase orders, and purchase levels where formal bidding is required) for which staff will request Council direction. As can be seen from the attachments, each City has determined to set different levels which they determined worked best in their City.

On these additional items, the City Council may wish to direct the Budget and Finance Committee to provide further analysis and discussion on the subject of purchasing and present a comprehensive recommendation to the full Council for consideration.

FISCAL ANALYSIS

Staff believes implementation of a consistent contract bidding policy will result in a positive fiscal impact to the City because of expected savings and efficiencies. However, the amount of that impact is difficult to quantify at this time.

ATTACHMENTS

1. Municipal Code Sections from Beverly Hills, Santa Monica, and West Hollywood

OPTIONS

The City Council may wish to consider any one or a combination of the following options:

- (1) Set a dollar limit which, once reached, triggers re-bidding of the contract;
- (2) Set a time limit which, once reached, triggers re-bidding of the contract;

City of Culver City, California
City Council Agenda Item Report

- (3) Provide an exemption from re-bidding for certain classes of contracts (for example sole source vendors, limited source vendors, or professional services providers); and/or
- (4) Refer this issue to the Budget and Finance Committee for further analysis and recommendation to the full City Council

RECOMMENDATION

Staff recommends the City Council:

Discuss this item and direct Staff as deemed appropriate.