

**City of Culver City, California
Agenda Item Report**

Meeting Date: 07/26/2010		Item Number: <u>A-5</u>	
CITY COUNCIL AGENDA ITEM: Introduction of an Ordinance Amending Chapter 3.07, Finance and Revenue, of the Culver City Municipal Code, by Repealing Sections 3.07.005 through 3.07.090, Purchasing System, and Replacing those Sections with New Sections 3.07.005 through 3.07.095, Relating to the City's Purchasing Policies for Supplies, Equipment and Services and the Bid Process for Public Works Projects.			
Contact Person/Dept.: Jeff Muir/Finance		Phone Number: (310) 253-5865	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒ Date: _____			
Public Notification: (E-Mail) Meetings and Agendas – City Council (07/21/10)			
Department Approval: Jeff Muir (06/30/10)		City Attorney Approval: Carol Schwab (by H. Baker) (07/21/10)	
Chief Financial Officer Approval: Jeff Muir (06/30/10)		City Manager Approval: P. Lamont Ewell (07/22/10)	
<u>RECOMMENDATION</u> Staff recommends the City Council introduce an Ordinance amending Chapter 3.07, Finance and Revenue, of the Culver City Municipal Code, by repealing Sections 3.07.005 through 3.07.090, Purchasing System, and Replacing those Sections with new Sections 3.07.005 through 3.07.095, relating to the City's purchasing policies for supplies, equipment and services and the bid process for public works projects. <u>BACKGROUND</u> Prior to the hiring of a Chief Financial Officer (CFO), the City Manager's Office had been examining the current practices and procedures of the City as they related to purchasing, bids and Requests for Proposals. With the hiring of a CFO in December 2007, the City Manager delegated to the CFO the task of performing a comprehensive review of the City's purchasing policies and procedures, including a comparison with other similar cities, and bringing back a comprehensive recommendation for City Council consideration. The goal of the City's Finance Department-Purchasing Division is to obtain appropriate supplies, equipment and services for the City, at the best value, and in a timely manner, while maintaining fairness to vendors, and abiding by applicable laws.			

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City Charter Section 1605 provides: “The City Council shall establish procedures for the purchasing, storing and distribution of all supplies, materials and equipment required by any City department. The City Manager shall direct the implementation of such procedures for all City departments.” These procedures are established primarily through Culver City Municipal Code (CCMC) Sections 3.07.005 – 3.07.090.

These provisions of the CCMC regarding purchasing policies and requirements have not been substantially changed in over twenty years. The dollar limit requirements before items must be approved by City Council have not been adjusted since 1987, during which time the Consumer Price Index has risen over 90%.

In addition, City Charter Section 1604 provides: “The City Council shall, from time to time, 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.”

Significant staff time is spent in purchasing needed supplies and services (including public works contracts). A good percentage of this time is spent preparing City Council agenda items for routine purchases or contracts. The City is experiencing difficult financial times, as well as fewer employees to carry out routine work assignments. For these reasons, we are examining opportunities to work smarter and more efficiently. Given the recent changes in the structure of the City, such as moving to a City Council – City Manager form of government, and the creation of the position of Chief Financial Officer to lead a restructured Finance Department, it is recommended that the City Council consider modernization to the CCMC as it relates to purchasing and the bid process for public works projects.

DISCUSSION

Staff has researched purchasing guidelines from a number of California cities, including our Westside neighbors. Through a survey, we find that Culver City’s dollar thresholds that require City Council action are well below most cities. For Santa Monica, the City Manager has authority for the purchase of materials or services up to \$100,000, while in Beverly Hills that amount is \$50,000. In Culver City, the City Manager can sign contracts for services up to \$10,000 and purchase materials up to \$20,000. This requires purchases of goods or services considered routine in other cities which have already been approved by the City Council through the budget process to come back before City Council. This can add weeks or months to the process.

The proposed Ordinance reorganizes the CCMC’s purchasing provisions so it is more understandable for staff and the public. Further, it is proposed to add new provisions that provide for efficiency in purchasing or reflect current City practice. In addition, the proposed Ordinance establishes a uniform level of authority for the City Manager of \$30,000 in approving contracts or purchasing supplies/equipment.

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Based on agenda items during Fiscal Year 2008/2009, there were approximately 45 items that would not have required secondary City Council approval under the proposed level of authority for the City Manager.

In addition, as part of the implementation of the new City Charter, the proposed Ordinance adds procedures for the bid process for public works projects that had previously been contained in the old Charter, prior to the new Charter being approved by the voters in 2006.

This item was discussed with the Budget & Finance Subcommittee on August 10, 2009 and September 14, 2009, with both members recommending consideration of staff's recommendation by the full City Council. With the transition that has gone on with the City Manager position and the brief vacancy of the Chief Financial Officer position, the item was delayed for several months.

Proposed Ordinance

For a number of months, the Finance Department has been analyzing ways to streamline the purchasing and contracting process. As part of this effort, staff critically reviewed the CCMC's current purchasing provisions, which were last substantively amended in 1987. Staff found that the purchasing sections of the CCMC could be better organized to provide a clearer roadmap for staff members who work with the purchasing procedures on a frequent basis as well as those persons and entities interested in providing services and goods to the City.

The proposed ordinance reorganizes the CCMC so that there is one article that sets forth the general provisions, one article that describes the purchasing procedures for supplies, equipment and services, one article that describes the bid process for public works projects, and one that deals with the disposition of surplus property. In addition, staff reviewed areas in which the purchasing sections could be strengthened to allow for greater efficiency and effectiveness in the purchase of goods and services.

Several new provisions were added to reduce costs, save time, and increase efficiency, while maintaining the core principles of competitive bidding and obtaining products at the lowest possible price. The recommended changes are summarized below:

Purchases of supplies, materials, equipment or services

- Formal contract procedures have been defined to include the purchase of supplies, materials, equipment and services over \$30,000. These items would require formal sealed written competitive bids submitted to the City Clerk's Office, which bids would be presented to the City Council for consideration of award of contract.

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- Informal contract procedures are established for purchases of \$30,000 and under as described, which contracts may be approved by the City Manager. If the proposed Ordinance is adopted, the City Manager shall issue an administrative policy, as authorized by the proposed Ordinance, which will provide: 1) purchases of \$2,500 and under may be approved by Department Heads with oral or written quotations encouraged; 2) purchases between \$2,500 and \$7,500 may be approved by the Purchasing Officer, with either verbal or written quotations being acceptable; and 3) purchases between \$7,500 and \$30,000 must be approved by the City Manager, also with either verbal or written quotations being acceptable.
- Similar to the existing CCMC provisions, the proposed Ordinance provides for exceptions to the bidding process in cases where the purchase of goods or services does not lend itself to competitive bidding. For example, but not limited to, (i) the purchase of memberships in professional organizations, to attend professional meetings and conventions; (ii) the purchase of supplies or services that are proprietary items of the original equipment manufacturer (sole source); (iii) for the purchase of supplies, equipment or services from another governmental entity; (iv) in an emergency situation; (v) if the item is intended for resale by the City; or (vii) contracts for professional and personal services (including, but not limited to, attorneys, architects, engineers, computer consultants, janitorial services etc.) As required by the proposed Ordinance, competitive quotations for professional and personal services will still be sought whenever practical, as determined by the City Manager.
- A modernized provision is proposed to clarify the City's ability to take advantage of the pricing provided to other public entities or City departments who have already utilized a competitive bid process. In such cases, the City could obtain the goods for the same or better price and not have to expend the time and cost to go through its own bid process.
- From time to time, there will be change orders on a particular purchase or contract. In such cases, the change order needs to be acted upon in a quick manner to avoid delay in the project and/or to take advantage of favorable pricing. Under current procedures, if the original contract was approved by the City Council, the change order must also be approved by the City Council. In order to provide efficiency in handling change orders, the proposed ordinance allows the City Manager to approve a change order as long as the amount of the change order does not exceed his/her purchasing authority. For example, if the City Council approves a \$300,000 contract, the City Manager can approve a change order in an amount not to exceed \$30,000. This amendment would then be included on the next quarterly report to City Council for items approved over \$7,500.
- For multi-year agreements, the City Manager may approve those in which the annual value (by fiscal year) does not exceed the City Manager's purchasing authority. If the same supplier, contractor or consultant has been used for five

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years, bidding shall be undertaken as required under the formal or informal contract procedures, depending on the annual value of the contract or purchase.

- The proposed Ordinance still contains a provision to provide a preference to local businesses when the difference in bids is between zero (tie bids) and the amount of the current sales tax benefit the City would receive from the local sales tax, providing certain conditions are met.

Public Works Contracts

- Public Works Projects of \$30,000 or less may utilize the informal contract procedures.
- Public Works Projects of more than \$30,000 but less than \$75,000, shall utilize the formal contract procedures (requiring competitive sealed bidding). Bid plans and working details are approved by the Public Works Director/City Engineer, and contracts are approved by the City Manager. Projects not included in the adopted budget must be approved by City Council prior to any bid solicitations.
- Public Works Projects in excess of \$75,000 shall have bid plans and working details adopted by the City Council prior to the formal solicitation of competitive sealed bids.

Should the City Council introduce and ultimately adopt these proposals, staff will make a presentation during the budget process next year regarding our experiences with the new system.

FISCAL IMPACT

Implementation of these proposals is expected to result in significant savings in staff time and increased efficiency. The exact amount of these savings is difficult to quantify at this time.

ATTACHMENTS:

1. Proposed Ordinance
2. Current CCMC Sections 3.07.005 through 3.07.090

MOTION:

That the City Council:

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