

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 02/27/06		Item Number: <u>A-5</u>	
AGENDA ITEM: Discussion Related to Proposed Amendments to Sections of Chapter 3.07: Finance and Revenue of the Culver City Municipal Code Related to Contracts and Bidding			
Contact Person/Dept.: Martin R. Cole, Phone Number: (310) 253-6000 ACAO			
Fiscal Impact: Yes ☐ No ☒		General Fund: Yes ☐ No ☐	
Public Hearing: ☐		Action Item: ☒	Attachments: ☒
Public Notification: Master Notification List (02/22/06)			
Department Approval: Martin R. Cole (02/22/06)		CAO Approval: Martin R. Cole for Jerry B. Fulwood (02/22/06)	
City Controller Approval: N/A			

RECOMMENDATION

Staff recommends the City Council discuss staff's proposal to amend various sections of Chapter 3.07 (Finance and Revenue) of the Culver City Municipal Code related to contracts and bidding.

BACKGROUND

Section 1304 and 1305 of the Charter of the City of Culver City (Charter) and Chapter 3.07 (Finance and Revenue) of the Culver City Municipal Code (Code) provide the legal requirements for the City's purchasing procedures. These procedures specify, among other things, the processes to be used by Staff when making City purchases, when bidding is necessary and how bidding is undertaken (formal vs. informal process), and the authority of the Chief Administrative Officer to issue and execute contracts (including purchase orders). Many of the sections in Chapter 3.07 date back to 1965.

It is the purpose of this report to present certain proposed amendments to the City Code for the Council's discussion that would address certain purchasing/bidding procedures of interest to the City Council and to improve efficiency in the City's purchasing.

DISCUSSION

The recommendations included in the attached Ordinance may be classified into two sections: (1) City Council Interests and (2) Municipal Code Consistency and

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Update. In addition, the topic of consideration of doing work “in-house” with City Employees is also discussed.

City Council Interest

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;
- Limitation, when practicable, continual renewal of contracts to the same vendor year after year; and,
- Clarification of the aggregate limit of contract awards to a single vendor without City Council approval.

The Chief Administrative Officer is authorized to execute contracts for goods and services for an amount less than \$10,000. This authority is subject to budget appropriations approved by the City Council.

Municipal Code Consistency/Update

In reviewing the Code, staff discovered several sections that seemed inconsistent or outdated. As part of this review, Staff is recommending certain code amendments that will improve clarity and consistency among all areas of Chapter 3.07.

Doing Work In-House

Culver City prides itself on its ability to provide many services directly through our employees. Many times, the best way to perform duties is through use of our Staff. Nothing in these proposals is meant to impact or alter the current allocation of duties amongst staff and outside contracts.

Proposed Amendments

A-1: Contract Signing Authority

The following items refer to existing Charter and/or Code language.

Section 1304 of the Charter states in part: “...Every public works project to be performed by an independent contractor involving an expenditure of more than

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Twenty-Five Thousand **(\$25,000.00)** Dollars...shall be let to the lowest responsible bidder..."

Section 3.07.015 states in part: "...[Every purchase] exceeding Twenty Thousand Dollars **(\$20,000.00)** shall be by award of formal bid..."

Section 3.07.055 states in part: "...[Any purchase]...involving an expenditure of Twenty Thousand Dollars **(\$20,000.00)** or less may be made in the open market without following formal bidding procedures...The Chief Administrative Officer shall develop written policies for purchases up to Twenty Thousand Dollars **(\$20,000.00)**.."

Section 3.07.070 states in part: "...the City may award purchase orders and contracts **in any amount** for personal or professional services without complying with the provisions of this Subchapter {bidding}..." (bracketed word added) and Section 3.07.075 states in part: "...The Chief Administrative Officer is authorized to approve...any contract in an amount not to exceed Ten Thousand Dollars **(\$10,000.00)** for the services described in Subsections 3.07.070 B. and C., subject to the provisions of Section 3.07.070..."

Proposed Amendments

The use of four different amounts between the language of the Charter and the Code can be inefficient and somewhat confusing. Therefore, Staff proposes to replace the fixed amounts with \$25,000.00 and remove conflicting language. This would clarify that all purchases in excess of \$25,000.00 or more would be subject to the bidding process and approval of those contracts by the City Council and all purchases of up to \$25,000.00 would be subject to written policies developed by the Chief Administrative Officer (CAO's Policy).

A-2: Limit of Continual Renewal of Contracts to the Same Vendor and Aggregate Dollar Limit on Contracts

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.

To address this interest, a revised CAO Policy will include the following:

Dollar Limits

- (1) A limit of \$10,000.00 to the signature authority of Department Heads (always subject to appropriations approval by the City Council);

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- (2) A limit of \$25,000.00 to the signature authority of the CAO (always subject to appropriations approval by the City Council); and,
- (3) Contracts in excess of \$25,000.00 require the direct approval of the City Council.

Time Limits

- (4) Regardless of dollar amount, contracts awarded to any single vendor shall not have a term (or be renewed in total) for longer than three consecutive fiscal years without the approval of the City Council.

Other Items

Additionally, Staff will compile a list of contracts awarded in excess of \$25,000.00 over the past three fiscal years. During the budget preparation for Fiscal Year 2006/2007, this list will be segregated into two areas: (1) General Services and (2) Exempted Services. The contracts for Exempted Services fall under exemptions from the formal competitive bidding process outlined in the Code (Sections 3.07.065 and 3.07.070). The contracts for exempted services will only be re-bid in the case the CAO or the City Council determines the bidding process is desired (of if the contract has an original term or has been renewed for more than three consecutive fiscal years – please see **Time Limits** above). The contracts for General Services will be subdivided into three subsets, each of which will be re-bid in each of the successive three fiscal years.

This proposed process balances the desire with the practicality of the bidding process to ensure continued price competitiveness with the costs (in both money and staff time) of competitive bidding. This will also allow staff to re-bid General Services contracts over a three year period, thereby avoiding a “landslide” of bidding processes in a single fiscal year.

FISCAL ANALYSIS

Staff believes implementation of these proposed changes to the Code and Administrative Policies 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. Section of the Charter
- 2. Sections of the Code

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RECOMMENDATION

Staff recommends the City Council discuss this item, including the possibility or directing staff to return to the City Council with a proposed Ordinance, and provide any other direction as the City Council may deem appropriate.