



**DATE:** May 17, 2016

**CATEGORY:** Consent

**DEPT.:** Finance and Administrative Services

**TITLE:** **Amend Ordinance Relating to Purchasing and Procurements**

### **RECOMMENDATION**

Introduce an Ordinance Amending Chapter 2 of the Mountain View City Code Relating to Purchasing and Procurements and Adding Provisions Related to Procurements During a Declared Emergency or Disaster, to be read in title only, further reading waived, and set second reading for May 24, 2016 (Attachment 1 to the Council report).

### **BACKGROUND**

In 2014, a Purchasing Review Committee (Committee) was initiated by the City Manager's Office and the Finance and Administrative Services Department to evaluate the current City purchasing processes and to assess opportunities for streamlining and continuous improvement. Committee members were comprised of representatives from almost all City departments.

The Committee provided 10 recommendations grouped into 3 categories: Process Improvements; Policy Considerations; and Technology Enhancements, for enhancing the City's purchasing process, with specific tasks and ideas proposed to fulfill the recommendations.

One of the 10 recommendations from the Committee is to increase the City's competitive bid threshold from \$5,000 to \$10,000. The current \$5,000 bid threshold was last adjusted by Council in 2006.

### **ANALYSIS**

It was stated in the 2006 Council report that small dollar purchases of less than \$5,000 were not more efficiently processed through a centralized purchasing operation, and the less an item costs, the less efficient it is to acquire centrally. Those same sentiments

were expressed by Committee members and other City staff in recommending an increase to \$10,000.

Committee members believe that the current time frame to acquire goods and services could be improved by raising the bid limit to \$10,000. Staff could complete workloads with more speed and agility, which would improve City operations.

To assist in the Committee's recommendation, data was gathered on the bid limits of regional agencies. Most agencies still have a bid limit of \$5,000, but one limit is \$10,000, and two are \$15,000.

#### REGIONAL AGENCIES' BID LIMITS

Agency	Year Bid Limit Established	Informal Bid Limit	Formal Bid Limit
City of Cupertino	2002	\$5,000	\$45,000
City of Hayward	1994	\$2,500	\$15,000
<b>City of Mountain View</b>	2006	\$5,000	\$100,000
City of Palo Alto	2004	\$5,000	\$20,000
City of San Mateo	2000	\$15,000	\$100,000
City of Santa Clara	1991 – City 2012 – Stadium	\$15,000	\$100,000
City of Sunnyvale	1999	\$5,000	\$100,000
City of San Jose	2013	\$10,000	\$110,000
County of Santa Clara	2013	\$5,000	\$100,000

Revisions to the current competitive bid threshold require amendments to Chapter 2 of the Mountain View City Code. In the course of developing these proposed amendments, it was determined the existing provisions relating to purchasing and procurement could be consolidated into one article of the City Code for ease of reference and administration. The ordinance prepared by staff consolidates all of the provisions related to the centralized purchasing system into a single article.

In addition to the changes proposed to the bid limit, provisions are being added to provide a procedural process for procurement during a proclaimed emergency or disaster and to meet Federal procurement requirements with the Disaster Cost Recovery under the Federal Emergency Management Agency's (FEMA) Public Assistance program. These provisions comply with FEMA and the Department of Homeland Security for Federal grant funding which may be provided to the City as a result of a proclaimed emergency or disaster event. Procurements that do not comply

with the FEMA guidelines may result in audit findings requiring the City to return Federal funds that were provided to the City.

Upon adoption of the ordinance, the Administrative Instructions for the internal processes related to purchasing and procurement cards will be modified.

### **FISCAL IMPACT**

Procedural efficiencies will result from implementing the recommendations, but any potential cost savings cannot be quantified.

### **ALTERNATIVES**

1. Do not authorize the proposed changes to the competitive bid limit.
2. Authorize a different amount for the competitive bid limit.
3. Direct staff to complete other outstanding Committee recommendations before implementing any changes to the current bid threshold. This action would delay streamlining efficiency efforts currently under way.

### **PUBLIC NOTICING** – Agenda posting.

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Attachment: 1. Purchasing Ordinance