

# Agenda Report

March 24, 2014

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance Committee

**FROM:** Department of Finance

**SUBJECT: RECOMMEND AMENDMENT TO MUNICIPAL CODE CHAPTER 4.08 BIDDING AND PURCHASING TO INCREASE COMPETITIVE BIDDING AND THE FORMAL COMPETITIVE SELECTION THRESHOLD TO \$50,000; INCREASE INFORMAL BIDDING THRESHOLD TO \$6,000; AND CHANGE ANNUAL REPORTING PERIOD TO FISCAL YEAR FORMAT.**

## **RECOMMENDATION:**

It is recommended that the City Council:

- 1) Direct City Attorney to Modify Chapter 4.08 of the Competitive Bidding and Purchasing Ordinance within 60 days to Raise the Formal Bid Threshold to \$50,000;
- 2) Direct City Attorney to Modify Chapter 4.08.050 Informal Selection of the Competitive Bidding and Purchasing Ordinance within 60 days to raise the Informal Bid Threshold to \$6,000; and
- 3) Direct City Attorney to Modify Chapter 4.08.151(A) of the Competitive Bidding and Purchasing Ordinance within 60 days to Adjust the Annual Procurement Reporting Period to a Fiscal Year Format

## **BACKGROUND:**

The Department of Finance is responsible for administering the provisions set forth in the City's Competitive Bidding and Purchasing Ordinance. Pasadena Municipal Code 4.08 requires a competitive process for supplies, materials, labor or other valuable consideration \$25,000 or over. This report supports an increase of the competitive bid and competitive selection thresholds to \$50,000 and over.

In addition, the Competitive Bidding and Purchasing Ordinance requires an annual report on the past calendar year's procurement activity. To increase efficiency, staff is recommending changing the annual reporting period to a Fiscal Year format. With this change, staff will present no later than the end of the first quarter of the following fiscal year.

Competitive Solicitation Threshold Increases

The current formal bid threshold of \$25,000 and the informal bid threshold of \$3,000 have been in effect for more than 30 years and have never been adjusted for inflation. Establishing a new formal bid threshold of \$50,000 and informal bid threshold of \$6,000 will increase efficiencies relative to staff time and resources related to preparing, advertising and evaluating formal solicitations. It is estimated that increasing the formal bid threshold will decrease the number of formal solicitations by approximately 10%. Also, this will bring the City of Pasadena more in line with current formal bid thresholds in other surrounding cities of comparable size and complexity. Staff has reviewed formal bid thresholds of other cities. Below is a table that provides a comparison:

City	Purchase Type	Formal Bid Threshold
<b>Pasadena</b>	All Purchases	\$25,000
<b>Burbank</b>	Professional Services	\$50,000
	Goods and Services	\$100,000
<b>Glendale</b>	Goods and Services	\$50,000
	Public Works Construction	\$50,000
<b>Santa Monica</b>	Goods and Services	\$175,000
	Professional Services	\$80,000
<b>Riverside</b>	All Purchases	\$50,000

During staff's presentation on the City's total purchases for Calendar Year 2012, in the Annual Procurement Report to the City Council, staff provided statistical information that supported the concept that raising the bidding threshold would also have a positive impact on local procurement.

A review of purchases made between calendar year 2010 and calendar year 2012 revealed that, where departmental discretion was maximized (informal process), a higher percentage of goods and services were purchased from local and WMBE businesses. Specifically, 17.2 percent of the total dollars and 22 percent of the total contracts were satisfied by Pasadena businesses. Staff also reviewed purchasing data between \$25,000 and \$50,000 during this same period. The review revealed that the overall local activity was less than local activity on purchases made through the informal bid process (see charts below).

Where the informal bid process provides Pasadena businesses a five percent preference to local businesses, the formal bid process is limited to a one percent preference for Pasadena businesses (this only applies to contracts where the City will receive sales tax revenue). City departments currently have the most discretion on informal bid processes. The informal bid process has enabled departments to better utilize Pasadena businesses primarily due to the local preference afforded via the informal bid process.

<b>Between 2010, 2011, and 2012</b>	<b>Local Activity</b>	
	<b>Dollars</b>	<b>Contracts</b>
Under \$25,000	17.2%	22.0%
Between \$25,000 and \$50,000	15.5%	15.7%

<b>Purchases Between Calendar Years 2010 and 2012</b>	
Purchases \$50k and Over	\$ 140,987,255
Purchases between \$25k and \$50k	\$ 74,354,150
Purchases Under \$25k	\$ 62,628,804

**Change Annual Reporting Period to Fiscal Year Format**

To enhance efficiency and promote continuity in reporting, it is requested that Chapter 4.08.151(A) be modified to change the reporting period for the annual procurement report to a fiscal year calendar format. Currently, this includes a statistical report on all procurements awarded to minority business enterprises, women business enterprises and local businesses during the past calendar year. Changing the reporting schedule to a fiscal year cycle will achieve congruency with other fiscal reporting cycles used by the Department of Finance, other city departments and the City’s Operating Companies.

**COUNCIL POLICY CONSIDERATION:**

The following Council Strategic Plan goals and policies would be advanced under the proposed action:

- Maintain Fiscal Responsibility and Stability.
- Increasing government efficiency
- Support Local Businesses

Recommend Amendment to Municipal Code Chapter 4.08

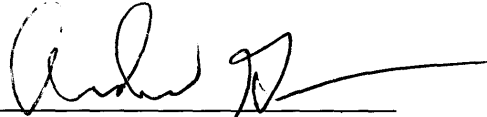
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**FISCAL IMPACT:**

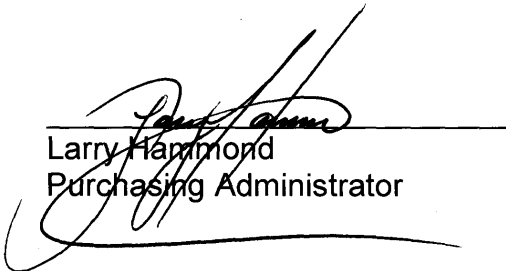
There is no fiscal impact as a result of this action nor will it have any indirect or support cost requirements. The anticipated impact to other operational programs or capital projects as a result of this action will be none.

Respectfully submitted,



ANDREW GREEN  
Director of Finance

Prepared by:

  
Larry Hammond  
Purchasing Administrator

Approved by:

  
MICHAEL J. BECK  
City Manager