



Town of Atherton

CITY COUNCIL STAFF REPORT – REGULAR AGENDA

TO: HONORABLE MAYOR AND CITY COUNCIL

**FROM: GEORGE RODERICKS, CITY MANAGER
THERESA DELLASANTA,
ASSISTANT TO THE CITY MANAGER/CITY CLERK**

DATE: JULY 16, 2014

**SUBJECT: ADOPT RESOLUTION 14-XX UPDATING THE PURCHASING LIMITS
AS REQUIRED BY ATHERTON MUNICIPAL CODE CHAPTER 3.16**

RECOMMENDATION

Approve resolution revising purchasing policy amount limits as required in Chapter 3.16 of the Atherton Municipal Code.

DISCUSSION

The Town often contracts with firms and individuals for developing and maintaining infrastructure and operations. The Town adopted its current purchasing system, Chapter 3.16 of the Atherton Municipal Code, in 1994 and updated it in 2012 to add clarity to the code. The purpose of the purchasing system is to establish efficient procedures for the purchase of goods and supplies, equipment, professional and nonprofessional services to ensure of lowest possible cost with quality needed and transparency.

In 2012, when the purchasing ordinance was revised, the Audit Committee recommended that the purchasing limits remain the same since at that time there were numerous interim staff positions in place. Those positions are now filled and staff recommends an update to the limits to allow for greater efficiency within the purchasing procedures.

Raising the limits allows for enhanced efficiency, reduces the amount of time spent implementing existing procedures, safeguards our budget, and overall allows us to effectively maintain infrastructure and operations and provide services to the community. On many occasions staff has run into timing issues that prevent purchase of goods, supplies and services such as technology improvements because the current procurement limits are so low.

An example of this is the recent technology improvements to the Town's Council Chambers. While the initial quote was slightly below the maximum of \$15,000, the addition of the two cameras caused the quote to exceed the maximum because it necessitated a change in the system's base overall configuration (now nearly \$30,000). With the cost exceeding the \$15,000 maximum, staff is now required to abandon the informal quote process, prepare formal requests for proposal, have the requests approved at a City Council meeting, post them for formal bidding, review and interview the bidders, and award a final contract at a City Council meeting. The formal process requires additional staff time and resources, project delay, and ultimately, may not result in a lower cost – rather, it could cause the Town to lose the benefit of the economy of the original quote.

The Town's purchasing ordinance provides that no purchases shall be allowed for any goods and supplies, equipment, materials, or services unless there exists an unencumbered appropriation in the adopted budget. Essentially, if the purchase or service was not accounted for within the current year's budget, it cannot take place without prior City Council authorization and a budget appropriation.

Absent a "sole source vendor" situation, when making a purchase there are three processes staff follows – *open market, informal, and formal*. The limits differ for "goods and supplies, equipment, and non-professional services" and "professional services."

Goods and Supplies, Equipment, and Non-Professional Services

The open market process amounts to obtaining an informal quote (preferably written) for the purchase of goods and supplies, equipment, materials, and non-professional services. Essentially, staff uses the open market process when purchasing office supplies, small furnishings, and other small equipment. We will check Staples, Office Depot, Costco, and other vendors for these types of purchases. The limit for the open market process is \$5,000. *Staff is not recommending an adjustment to this limit.*

The informal process is a little more regimented. Here, staff solicits quotes via a written or telephonic request. Purchases are based on *at least* three informal written proposals. The City Clerk must retain a copy of the bids for two years and they are available for public inspection. Staff selects the best qualified vendor as defined by the Code using such criteria as best value, ability to perform, ability to provide, trustworthiness, capacity, experience, etc. The limits for the informal process are between \$5,000 and \$15,000. *Staff is recommending that the upper limit be increased to \$30,000.* No purchases may be made unless they are accounted for within the current year adopted budget. The installation of technology improvements to the Council Chambers falls into this category but exceeds the current limit of \$15,000.

The formal process requires the publication of a formal Request for Bid, Notice Inviting Bids, Published Notice, formal and witnessed Bid Openings, and Council award to the lowest responsive and responsible bidder. The limit for the formal process is anything greater than \$15,000. For example, the 2014/15 Budget authorizes the purchase of a speed radar trailer. The cost of the trailer is \$25,000 – the cost exceeds the limits and requires the preparation of a formal bid process – thereby adding cost and time to the purchase. Alternatively, with the higher limit,

staff could solicit written bids and award pursuant to the purchasing policy requirements to the best qualified vendor. *Staff is recommending that the limit be set to anything greater than \$30,000.*

Professional Services

Professional services are defined as those provided by a person or firm engaged in a profession based on a generally recognized special knowledge or skill, including but not limited to, the professions of accountant, attorney, artist, architect, engineer, environmental consultant, dentist, physician, training or educational consultant, or survey. The processes remain the same – open market, informal, and formal.

The open market process amounts to obtaining an informal quote (preferably written) for the service. The limit for the open market process is \$1,000. *Staff is recommending that the limit be increased to \$5,000.* An example here is the professional services related to actuarial services. Staff cannot ask Nicolay & Associates (the OPEB actuarial firm we have used) to “refresh” our data without going through a formal process because the cost far exceeds the \$1,000 limit.

The informal process is based on three informal (written) proposals for the service. The limits for the informal process are between \$1,000 and \$15,000. *Staff is recommending that the upper limit be increased to \$25,000.* No service may be engaged unless it is accounted for within the current year adopted budget. The refresh to the OPEB actuarial falls into this category.

The formal process requires the publication of a formal Request for Proposal, Notice Inviting Proposals, Published Notice, formal and witnessed Openings, and Council award to the firm based on qualifications, experience and responsiveness. The limit for the formal process is anything greater than \$15,000. *Staff is recommending that the limit be set to anything greater than \$25,000.*

Staff does not recommend any changes to the Public Works contracting limits.

FISCAL IMPACT

None.

REFERENCE COMPARISONS

The chart below provides the limits under which the City Manager has the authority to make purchases within the rules of the purchasing policies. Formal processes *always* involve the Council in the approval of requests for proposals and award of contract. One standout in the table below – Mill Valley does not have limits other than for Public Works Contracts (State law). The City Manager has the authority to purchase goods and supplies and let contracts for professional services at any amount provided that the item is included in the current adopted budget.

City/Town	Goods/Supplies	Professional Services
	Open Market/Informal	Open Market/Informal
Corte Madera	\$75,000	\$75,000
Hillsborough	\$5,000-\$20,000	\$5,000-\$20,000
Los Altos Hills	\$15,000	\$15,000
Los Gatos	\$25,000	\$25,000
Mill Valley	N/A	N/A
Piedmont	\$10,000	\$10,000
Saratoga	\$25,000	\$25,000
Tiburon	\$40,000	\$40,000
Woodside	\$20,000	\$10,000
Atherton (Current)	\$5,000-\$15,000	\$1,000-\$15,000
Atherton (Recommended)	\$5,000-\$30,000	\$5,000-\$25,000

ATTACHMENT

Resolution 14-XX

RESOLUTION 14-XX
Supersedes Resolution 12-09

**A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ATHERTON
ESTABLISHING DOLLAR LIMITS FOR USE IN THE PURCHASING ORDINANCE,
MUNICIPAL CODE CHAPTER 3.16**

WHEREAS, the Town of Atherton has approved a new Purchasing Ordinance setting forth purchasing policies, procedures, and functions; and

WHEREAS, the new Purchasing Ordinance establishes different procedures and processes for purchasing and procurement of goods and services based on dollar limits; and

WHEREAS, establishment of the dollar limits for the various procedures and processes mentioned above are set forth in the Purchasing Ordinance as being established by resolution of the City Council on a periodic basis; and

WHEREAS, it is now appropriate to establish such dollar limits for current use in the Purchasing Ordinance; and

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the Town of Atherton does hereby comply with provisions of the Purchasing Ordinance by establishing dollar limits for the various procedures and processes as set forth following:

1. The dollar limit for procurement through open market purchase as set forth in § 3.16.100 is an amount up to and including the sum of Five Thousand Dollars (\$5,000).
2. The dollar limit for procurement through the informal procedure as set forth in § 3.16.110 is an amount greater than Five Thousand Dollars (\$5,000) up to and including Thirty Thousand Dollars (\$30,000).
3. The dollar limit for procurement through the formal procedure as set forth in § 3.16.120 is an amount greater than Thirty Thousand Dollars (\$30,000).
4. The dollar limit for procurement of professional services through the open market proposal procedure as set forth in § 3.16.200(a) is an amount up to and including Five Thousand Dollars (\$5,000).
5. The dollar limit for procurement of professional services through the informal proposal procedure as set forth in § 3.16.200(b) is an amount greater than Five Thousand Dollars up to and including Twenty Five Thousand Dollars (\$25,000).
6. The dollar limit for procurement of professional services through the formal proposal procedure as set forth in § 3.16.200(c) is an amount greater than Twenty-five Thousand Dollars (\$25,000).
7. The dollar limit for contracting public works projects through the force account/open market procedure as set forth in § 3.16.240(a) is an amount up to and including Ten Thousand Dollars (\$10,000).
8. The dollar limit for contracting public works projects through the informal bidding procedure as set forth in § 3.16.240(b) is an amount greater than Ten Thousand Dollars (\$10,000) up to and including Fifty Thousand Dollars (\$50,000).

9. The dollar limit for contracting public works projects through the formal bidding procedure as set forth in § 3.16.240(c) is an amount greater than Fifty Thousand Dollars (\$50,000).

* * * * *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the Town of Atherton at a regular meeting thereof held on the 16th day of July, 2014, by the following vote:

AYES: NOES:

ABSENT:

ABSTAIN:

Cary Wiest, Mayor

ATTEST:

Theresa N. DellaSanta
City Clerk

APPROVED AS TO FORM:

William Conners, City Attorney