



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Patsy Best, Procurement & Payables Division Manager, Finance Department  
Andy Cherullo, Finance Director, Finance Department  
**COPY:** Government Performance and Finance Committee  
**PRESENTER:** Patsy Best, Procurement & Payables Division Manager  
**SUBJECT:** Bid Threshold Increases and Related Changes to Purchasing Code (TMC 1.06)  
**DATE:** November 19, 2019

**PRESENTATION TYPE:**

Request for Ordinance

**SUMMARY:**

Staff are recommending the following changes related to the procurement of goods and services:

- 1) **Threshold** - update the formal bid and governing body (City Council/TPU Board) approval threshold from the current \$200,000 threshold to \$500,000.
- 2) **Equity** - support City Equity in Contracting efforts with proposed changes to encourage award of contracts to MWBE and SBE firms.
- 3) **Software Licenses** - clarify language related to software licensing and maintenance to authorize City staff to pay recurring software license and maintenance fees without further governing body approval.
- 4) **Administrative Authority** - standardize contract amendment authority by granting City Manager and Director of Public Utilities administrative authority to increase the value of contracts by up to \$200,000 without further governing body approval.
- 5) **Citywide Contracts** - clarify parameters for governing body approval of Citywide Contracts.

**BACKGROUND:**

- 1) **Threshold** - The current formal bid and governing body (City Council/TPU Board) approval threshold is \$200,000. This threshold was last updated in 2009. Based on historical purchasing data, Departments submit approximately 180 new contracts for City Council/TPU Board approval every year. These 180 contracts represent approximately 75%-80% of all of annual dollars awarded. Staff estimate that raising the current threshold to \$500,000 would reduce the number of contracts going to City Council/TPU Board by half. However, this would still represent approximately 65%-70% of all annual dollars awarded which would preserve City Council/TPU Board discretion for approval of over two-thirds of annual contract dollars awarded.
- 2) **Equity** - In support of the City's Equity in Contracting efforts, staff intends to use their administrative authority to establish a higher limited purchase authority for contracts awarded to MWBE and SBE firms who are certified in accordance with qualification requirements set forth in Chapter 1.07 TMC. By current policy, City Departments are delegated purchasing authority up to \$5,000 for routine non-repetitive purchases and such purchases are not required to be competitively solicited (unless required by law or funding restrictions). In the interest of efficiency staff will raise that limit to \$25,000. To specifically encourage contracting with certified MWBE and SBE firms, staff will set a higher limit of \$50,000 for contracts with or purchases from certified MWBE and SBE firms.



- 3) **Software Licenses** – The City increasingly relies on subscription or “cloud” based software in addition to on premises software. Once the City purchases and implements software, the City pays recurring license/maintenance costs for continued use of the software. Current language in TMC 1.06.269 waives further competitive solicitation for recurring license and maintenance fees once the governing body has approved the contract for software. Proposed revision to TMC further clarifies that subsequent governing body approval is not required for software license and maintenance costs related to already approved products or solutions. Note that these recurring costs are included in the biennial budget approval process, providing visibility to City Council/TPU Board.
- 4) **Administrative Authority** - The total value of contracts submitted to the City Council/TPU Board are established by careful estimate, but are often not the final value of a contract at project close-out. This is especially true on construction projects. While TPU has routinely included language in its purchase resolutions authorizing the Director of Public Utilities to administratively amend contract amounts by up to \$200,000 above the initial award amount, this has not been the case with resolutions going to the City Council. As a result, City Council routinely sees requests to approve very small dollar increases to large contracts in order to close out a project. The standard Council approval process for these types of small dollar increases may delay final payments to vendors. Staff recommends that, in the interest of consistency between governing bodies and expediency in contracting, we revise 1.06.269 A TMC “Contract Amendments” to grant City Manager or Director of Public Utilities authority to amend contract amounts by up to \$200,000.
- 5) **Citywide Contracts** - 1.06.268 C TMC establishes a process for governing body approval of Citywide contracts. These contracts are presented to both the TPU Board and City Council. TMC Chapter 1.06.270 “Cooperative Purchasing” delegates authority without further City Council approval to the Finance Purchasing Manager to enter into interlocal purchase agreements with other agencies & entities, and join cooperative purchasing programs when in the best interests of the City. Other agency or cooperative program contracts are required to have met the City’s competitive solicitation requirements. RCW provides further authorization for use of interlocal purchase agreement and cooperative program contracts. The City has been inconsistent in our use of other agency/cooperative contracts and in our definition of a “Citywide” contract.

The more traditional definition of a Citywide contract is when City staff from various Departments share a common need for supplies or services and issue a coordinated competitive solicitation, resulting in award of one or more contracts after evaluation of supplier submittals. Examples of these Citywide contracts are - banking or retail lockbox services, fencing, roofing, or flagging contracts. To be consistent in City practices and in the interest of expediency, the recommended change is to seek governing body approval of Citywide contracts, only when the contract award is the outcome of a City of Tacoma competitive solicitation or waiver. When the City is using an agency/cooperative contract as authorized by Chapter 1.06.270 TMC, only those purchases exceeding the formal threshold would require governing body approval.



**ISSUE:**

The recommended changes will help streamline the City's procurement processes while maintaining the appropriate oversight by the City Council/TPU Board. The goals are for Departments to be able to procure goods and services faster, for vendors to have an easier time interacting with the City, to encourage the use of certified MWBE and SBE firms and for City staff to spend less time on internal processes and more time serving residents and ratepayers.

**ALTERNATIVES:**

One alternative is to keep the bid threshold the same. Another is to propose a more modest increase. The City could choose to make no changes in any of the practices outlined in this memo, however the result would be continued inconsistency and potentially unnecessary administrative costs.

**FISCAL IMPACT:**

Fiscal impacts are difficult to measure. The goals are to streamline procurement processes to make it easier for vendors to interact with the City and to eliminate staff time spent on procuring goods and services. If these goals are achieved, staff should be able to redirect time currently spent on procurement to providing services to residents and ratepayers.

**RECOMMENDATION:**

**Send to full Council for approval the following:**

- Revise TMC to update the formal bid and governing body (City Council/TPU Board) approval threshold to \$500,000.
- Revise TMC related to software licensing and maintenance, authorizing City staff to pay recurring software license and maintenance fees without further governing body approval.
- Standardize contract amendment administrative authority, granting City Manager and Director of Public Utilities administrative authority to increase the value of governing body-approved contracts by up to \$200,000.
- Require governing body approval of Citywide Contracts only when the contract award is the outcome of a City of Tacoma competitive solicitation or waiver. Staff will standardize practices for interlocal use of other agency and cooperative contracts.
- Staff should administratively support City efforts related to Equity in Contracting.