



TO: Elizabeth Pauli, City Manager
FROM: Patsy Best, Procurement & Payables Division Manager, Finance Department
Andy Cherullo, Finance Director, Finance Department
COPY: City Council and City Clerk
SUBJECT: Ordinance – Purchasing Code updates (TMC 1.06) –December 10, 2019
DATE: November 26, 2019

SUMMARY:

Staff are recommending the following Code (TMC 1.06) 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) **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.
- 3) **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.
- 4) **Citywide Contracts** - clarify parameters for governing body approval of Citywide Contracts.

These recommendations were presented to the Government and Finance Performance Committee on November 19, 2019, and were recommended for approval by the full Council.

STRATEGIC POLICY PRIORITY:

- Assure outstanding stewardship of the natural and built environment.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

- 1) **Threshold** - The current formal bid and governing body approval threshold is \$200,000. This threshold was last updated in 2009. Based on historical purchasing data, Departments submit approximately 180 new contracts for governing body approval every year. These 180 contracts represent approximately 75%-80% of all of annual dollars awarded. We 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 governing body discretion for approval of over two-thirds of annual contract dollars awarded.
- 2) **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 governing body.
- 3) **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, such 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 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 suppliers. 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.

- 4) **Citywide Contracts** - 1.06.268 C TMC establishes process for governing body approval of Citywide contracts; such contracts are presented to both Public Utility Board and City Council. Chapter 1.06.270 TMC “Cooperative Purchasing” delegates authority to the finance/purchasing manager without further City Council approval, to enter into interlocal purchase agreements with other agencies and 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. We have 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 shares a common need for supplies or services and issues a coordinated competitive solicitation, resulting in award of one or more contracts after evaluation of supplier submittals. Examples of these contracts are Citywide contracts for 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 formal threshold require governing body approval.

ISSUE:

- 1) The recommended changes will help streamline the City’s procurement processes while maintaining the appropriate oversight of the City Council/TPU Board. The goal is for Departments to be able to procure goods and services faster, for vendors to have an easier time interacting with the City and for city staff to spend less time on internal processes and more time serving residents and ratepayers.
- 2) In addition to the changes recommended for the TMC, Procurement staff are working to support City Equity in Contracting efforts with proposed administrative changes to encourage award of contracts to MWBE and SBE firms. If City Council approves the increase to the threshold, staff will have greater ability to set equity targets for MWBE and SBE firms that encourage greater use of these firms.

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.

RECOMMENDATION:

- 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.

FISCAL IMPACT:

There is not fiscal impact.