



MEMORANDUM

TO: City Council

FROM: Nicole Valentine, Administrative Services Director

BY: Pete Gonda, Consulting Senior Manager, Baker Tilly
Aleah Bergam, Management Analyst

SUBJECT: Consider Introduction of Ordinance Updating Chapter 3.08 of the City's Municipal Code, Purchasing System, Designate Dollar Thresholds for Awarding Contracts, and Consider Updated Purchasing Policies and Procedures Manual

DATE: September 26, 2023

SUMMARY OF ACTION:

Conduct the first reading, by title only, introduce and hold a public hearing on the following Ordinance: "An Ordinance of the City Council of Arroyo Grande, Amending Arroyo Grande Municipal Code Chapter 3.08 of Title 3 to Update the City's Purchasing System." Adoption of this ordinance will be at a future City Council meeting. Adopt a resolution designating dollar thresholds for awarding contracts and review a draft of the updated Purchasing Policies and Procedures Manual.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

There is no financial impact associated with the recommended action.

All future purchases will need to follow the updated Ordinance and Purchasing Policies and Procedures Manual, as well as be within the Council approved appropriated funds.

RECOMMENDATION:

1) Introduce the Ordinance amending Arroyo Grande Municipal Code Chapter 3.08 of Title 3 to Update the City's Purchasing System; 2) Adopt a Resolution designating dollar thresholds for awarding contracts; 3) Review a draft of the updated Purchasing Policies and Procedures Manual; and 4) Make findings that introducing a proposed Ordinance, adopting a Resolution designating dollar thresholds for awarding contracts, and reviewing the purchasing policies and procedures manual is not a project subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.)

Item 10.a.

City Council

Consider Introduction of Ordinance Updating Chapter 3.08 of the City’s Municipal Code, Purchasing System, Designate Dollar Thresholds for Awarding Contracts, and Consider Updated Purchasing Policies and Procedures Manual

September 26, 2023

Page 2

BACKGROUND:

The City’s current purchasing Ordinance is contained in Chapter 3.08 of the Municipal Code as well as in a Purchasing Policies and Procedures Manual (Attachment 4). The last comprehensive policy update was in March 2000. A local government consulting firm, Baker Tilly, formerly Management Partners, was engaged in 2022 to review the City’s purchasing policies and procedures and provided the following major observations:

- The City’s procurement policies and procedures contained in the municipal code and the procedural manual are outdated and do not incorporate or reference changes in state and federal laws that have occurred over the last twenty-plus years.
- The City’s purchasing policies and procedures manual does not adequately reflect best practices.
- The City’s competitive bidding and contract award thresholds for the purchase of goods and services are exceedingly low when compared to best practices and surrounding jurisdictions as shown in Attachment 5.
- The outdated and low competitive bidding and contract award thresholds impact the efficiency and effectiveness of City operations.

Baker Tilly worked closely with the Administrative Services Department and the City Attorney to rewrite the purchasing ordinance and the policies and procedures manual to reflect best practices and changes in state and federal law that have occurred since the last update. Key ordinance revisions are summarized below. Given the comprehensive nature of the rewrite, a redlined version of the existing municipal code chapter has not been prepared.

The existing Ordinance can be found in its entirety here: [Arroyo Grande Municipal Code Chapter 3.08 \(Purchasing Procedure\)](#).

ANALYSIS OF ISSUES:

The draft rewrite of the purchasing ordinance includes the following key additions, clarifications, and updates:

New Section Additions	Clarifications and Updates
<ul style="list-style-type: none">• Incorporate pertinent definitions• Establish purchasing compliance oversight• Enumerate purchasing responsibilities of department heads• Include prohibition on bid splitting• Add provisions regarding contract amendments, making purchases with grant	<ul style="list-style-type: none">• Specify contract award authority and delegation thereof• Clarify solicitation procedures for goods and services• Enumerate competitive bidding exceptions• Articulate requirements associated with emergency purchases

Item 10.a.

City Council

Consider Introduction of Ordinance Updating Chapter 3.08 of the City’s Municipal Code, Purchasing System, Designate Dollar Thresholds for Awarding Contracts, and Consider Updated Purchasing Policies and Procedures Manual

September 26, 2023

Page 3

<p>funding, disposing surplus property, and public procurement ethics</p> <ul style="list-style-type: none">• Incorporate best practice bid protest procedures• Provide administrative flexibility to city manager to update purchasing procedures• Cross reference new requirements associated with green purchasing	<ul style="list-style-type: none">• Provide greater flexibility for awarding contracts to local businesses• Update bidding procedures for public projects
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In addition to the changes noted above, an essential update involves modifying the contract award authority thresholds for the City Council, city manager and department heads. For example, the City Council must approve goods and general services contracts that exceed \$10,000 and professional services contracts greater than \$25,000. These dollar thresholds are exceedingly low when compared to best practice and surrounding jurisdictions, have not kept up with inflationary increases in labor, services, and materials, and result in administrative inefficiencies, by adding weeks of processing time to many smaller project needs. Modifications are also proposed for competitive bidding thresholds.

List of Comparable Agencies and Purchasing Process and Approval Thresholds

In developing the updated approval thresholds and informal and formal bidding thresholds, staff conducted research on agencies proximate to Arroyo Grande including Atascadero, Lompoc, Morro Bay, Paso Robles, Pismo Beach, Grover Beach, San Luis Obispo, and Santa Maria. It is important to note that every jurisdiction surveyed has bidding and contract award thresholds that are higher than Arroyo Grande’s current limits. Attachment 5 includes the survey details. Additionally, Atascadero, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo updated their purchasing ordinances in 2022; Lompoc and Santa Maria made updates in 2017 and 2018, respectively, and Grover Beach adopted an ordinance update on August 28, 2023.

For alignment with best practices and to facilitate administrative efficiency, staff recommends increasing the City’s competitive bidding and contract award thresholds for goods and services as follows:

City Council

Consider Introduction of Ordinance Updating Chapter 3.08 of the City’s Municipal Code, Purchasing System, Designate Dollar Thresholds for Awarding Contracts, and Consider Updated Purchasing Policies and Procedures Manual

September 26, 2023

Page 4

Competitive Bid Thresholds

Procurement Type	Current Competitive Bid Threshold Requirements			Proposed Competitive Bid Threshold Requirements		
	None Required	Informal	Formal	None Required	Informal	Formal
Goods, general services	Up to \$1,500	\$1,501 to \$10,000	Greater than \$10,000	Up to \$5,000	Up to \$50,000	Greater than \$50,000
Professional Services	Up to \$1,500	\$1,501 to \$25,000	Greater than \$25,000	Up to \$5,000	Up to \$50,000	Greater than \$50,000

Contract Award Thresholds

Procurement Type	Current Contract Award Thresholds			Proposed Contract Award Thresholds		
	Department Head	City Manager	City Council	Department Head	City Manager	City Council
Goods, general services	Up to \$5,000	Up to \$10,000	Greater than \$10,000	Up to \$50,000	Up to \$100,000	Greater than \$100,000
Professional Services	Up to \$5,000	Up to \$25,000	Greater than \$25,000	Up to \$50,000	Up to \$100,000	Greater than \$100,000

In addition to the changes noted above, modifications are also proposed to the thresholds for public projects to maintain consistency with increases prescribed by the California Uniform Construction Cost Accounting Commission (for public projects the City follows the bidding procedures established by the California Uniform Public Construction Cost Account Act, or CUPCCAA). On April 13, 1999, City Council approved Resolution No. 3356 adopting bidding procedures for public projects under the CUPCCAA. [Current CUPCCAA bidding thresholds](#) are as follows:

- No bids required for projects up to \$60,000
- Informal bids required for projects greater than \$60,000 up to \$200,000
- Formal bids required for projects greater than \$200,000

Currently, more than 1,500 cities, counties, school/special districts follow the CUPCCAA bidding procedures, including 250 of California’s 482 cities.

Item 10.a.

City Council

Consider Introduction of Ordinance Updating Chapter 3.08 of the City's Municipal Code, Purchasing System, Designate Dollar Thresholds for Awarding Contracts, and Consider Updated Purchasing Policies and Procedures Manual

September 26, 2023

Page 5

The municipal code revisions will be supplemented by the Purchasing Policies and Procedures Manual, which includes administrative details; it must be approved by the City Manager and must remain consistent with the Municipal Code. The updated Ordinance will establish Purchasing thresholds by resolution; the Purchasing Policies and Procedures Manual will remain a draft until Council approves these thresholds. Once approved the final document will be provided to staff for implementation.

Next steps:

Second reading and adoption of the Ordinance is scheduled for October 10, 2023.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Introduce the Ordinance amending Arroyo Grande Municipal Code Chapter 3.08 of Title 3 to Update the City's Purchasing System; Adopt the Resolution designating dollar thresholds for awarding contracts; and Review a draft of the updated Purchasing Policies and Procedures Manual;
2. Council may direct staff to make modifications to the recommended purchasing ordinance updates or may direct staff to make no update to the Municipal Code in this area; or
3. Provide other direction to staff.

ADVANTAGES:

The last comprehensive update to the purchasing Ordinance was more than twenty years ago. The proposed changes align the City's policies and procedures with best procurement practices, incorporate necessary provisions due to changes in state and federal laws, clarify roles and responsibilities, and facilitate administrative efficiency.

DISADVANTAGES:

There are no disadvantages identified.

ENVIRONMENTAL REVIEW:

Introducing Proposed Ordinance, Adopt Resolution Designating Dollar Thresholds for Awarding Contracts, and Review Purchasing Policies and Procedures Manual is not a project subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.)

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2. A public hearing notice was published in the Tribune newspaper on September 15, 2023.

Item 10.a.

City Council

Consider Introduction of Ordinance Updating Chapter 3.08 of the City's Municipal Code, Purchasing System, Designate Dollar Thresholds for Awarding Contracts, and Consider Updated Purchasing Policies and Procedures Manual

September 26, 2023

Page 6

Attachments:

1. Proposed Ordinance: "An Ordinance of the City Council of Arroyo Grande, Amending Arroyo Grande Municipal Code Chapter 3.08 of Title 3 to Update the City's Purchasing System
2. Proposed Resolution Designating Dollar Thresholds for Awarding Contracts
3. Draft Updated Purchasing Policies and Procedures Manual
4. City of Arroyo Grande Purchasing Policies and Procedures Manual 2000
5. Local Agency Consolidated Survey