

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JULY 19, 2011**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, July 19, 2011, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Katzakian, Council Member Nakanishi, Mayor Pro Tempore Mounce, and Mayor Johnson

Absent: None

Also Present: City Manager Bartlam, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Discuss Changes to the Purchasing Policy and Settlement Authorities (CM)

City Manager Bartlam provided a brief introduction regarding the purchasing policy revisions.

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding proposed purchasing policy revisions. Specific topics of discussion included an overview, centralized versus decentralized purchasing, current purchase order limit of \$500, comparison purchase order numbers from other communities, purchase order limit proposal at \$2,500, current quote requirements for \$500, proposed quote limit to \$2,500, comparison quote numbers from other communities, formal bid limit currently at \$20,000, proposed formal bid limit at \$30,000, comparison formal bid numbers from other communities, current department head and city manager levels at \$5,000 and \$20,000, proposed department head and city manager levels at \$10,000 and \$30,000, comparison levels from other communities for authority levels, reporting requirements, Cal Card usage, Cal Card rebates, Cal Card proposal to expand usage with detailed approval process, professional services for exemptions, and current and proposed settlement authority.

In response to Mayor Johnson, Mr. Ayers stated the numbers from Tracy vary because the purchase order limit is based upon the nature of the good.

In response to Council Member Hansen, Mr. Ayers stated the challenge with the quote process is getting vendors to respond in a timely manner, especially with smaller dollar amounts.

In response to Myrna Wetzel, Mr. Ayers stated the lowest bid and best value are both used in purchasing.

In response to Mayor Johnson, Mr. Ayers stated that, with respect to utilizing multiple vendors, staff would need to be cognizant of the market and good comparable sources.

In response to Council Member Hansen, Mr. Ayers stated quotes are generally obtained via telephone, email, and on line.

In response to Mayor Johnson, Mr. Ayers stated staff could look at a rotation for vendors to ensure multiple vendors are being used so that the business is spread throughout the community.

In response to Council Member Hansen, Mr. Ayers stated currently there is no competitive quote requirement for under \$500, verbal quotes are required for \$500 to \$1,000, written quotes are

required for more than \$1,000, and the proposal is to have written quotes for over \$2,500.

In response to Council Member Katzakian, Mr. Bartlam stated the overall cumulative purchasing costs are monitored based on the need for the material and storage of the same.

Mayor Johnson and Mayor Pro Tempore Mounce briefly discussed current and proposed authority limits for department heads and the city manager, as well as the timing and process associated with receiving the goods.

In response to Council Member Nakanishi, Mr. Bartlam provided a brief overview of internal controls based on how much money is spent, industry perspective and trust in the staff, and the City not having a history of issues.

In response to Council Member Hansen, Mr. Bartlam reviewed the departmental budget expenditure and savings process, stating at the end of the fiscal year he is more concerned about the bottom line rather than individual line items. Mr. Ayers stated personnel versus operational costs vary by department and the total salary and benefits for the City are in the \$30 million to \$35 million range.

In response to Council Member Nakanishi, Mr. Bartlam stated the City Manager currently reviews all purchases through the approval process and it would be up to Council if it ever wanted to allow a city manager to delegate that responsibility to another position.

In response to Mayor Johnson, Mr. Ayers stated Cal Card usage can be limited through vendor type and classification controls. Mr. Bartlam stated the professional services agreement process also has the dollar amount controls so that anything over \$20,000 still comes to Council.

In response to Mayor Pro Tempore Mounce, Mr. Ayers stated the settlement authority is a separate and stand-alone proposed policy from the purchasing policy.

Council Member Nakanishi requested a personnel time and cost savings analysis in regard to the proposed recommendations.

At the request of Mayor Pro Tempore Mounce and Council Member Hansen, the following employees spoke in regard to their experience with the purchasing process: Rob Lechner, Wally Sandelin, Steve Dutra, Randi Johl, Charlie Swimley, Kari Chadwick, and Liz Kirkley.

Ed Miller spoke in regard to having a general departmental credit card rather than credit cards that are issued to specific individuals in a department.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:43 a.m.

ATTEST:

Randi Johl
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Discuss Changes to the Purchasing Policy and Settlement Authorities
MEETING DATE: July 19, 2011
PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Discuss changes to the Purchasing Policy and Settlement Authorities.

BACKGROUND INFORMATION: Council adopted the current Purchasing Policy in August 2005, establishing a centralized purchasing organization. In January 2010, the Council approved department reorganizations that decentralized the purchasing functions within the City. At that time, staff advised the Council that the Purchasing Policy would be revisited to reflect the new departmental structures.

The City has operated under the decentralized purchasing model for the past year. A number of proposed changes to the Purchasing Policy are before the Council today for discussion. As City staff has reduced, the need to be more efficient is very apparent. Recommendations regarding certain limits within the Purchasing Policy are driven by the efficiencies that will be gained by adding flexibility to our purchasing processes. Staff has weighed the increased flexibility against the inherent risks in arriving at our recommendations, which were developed following a survey of nearby cities to determine comparable levels of authority.

Finally, staff is seeking input regarding proposed changes to the delegation of authority to settle workers compensation and liability claims. Staff surveyed other agencies that participate with us in the California Joint Powers Risk Management Authority (CJPRMA) as to the level of settlement authority for designated positions.

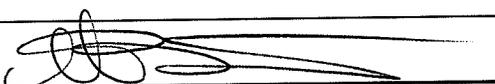
FISCAL IMPACT: Staff efficiencies are expected if greater flexibility is granted.

FUNDING AVAILABLE: Not applicable.


Jordan Ayers
Deputy City Manager

JA/ja

APPROVED:


Konradt Bartlam, City Manager

Purchasing Policy Revisions

City Council Shirtsleeve Session
July 19, 2011

Overview

- Centralized vs. Decentralized
- Purchase Order (PO) Limit
- Quote Limit
- Formal Bid Limit
- City Manager/Department Head Limit
- Cal Card Usage
- Professional Services
- Settlement Authority

Centralized vs. Decentralized

- Current policy adopted 2005 establishing centralized purchasing system
- Moved to decentralized system in July 2010
- Need clean-up of existing policy to reflect change

PO Limit

- Currently, all purchases over \$500 require a PO
- Also, require staff to obtain 3 quotes for such purchases
 - Very time consuming
 - Costs/benefits

PO Limit – Survey Says

Organization	Limit
Lodi	\$500
Elk Grove	\$500
Galt	\$500
Manteca	\$100
Modesto	\$1,000
Sacramento	\$5,000
Stockton	\$5,000
Tracy	Various

PO Limit - Recommendation

- Staff recommends
 - Limit of \$2,500

Quote Limit

- Currently, require verbal quotes for purchases between \$500 and \$999
 - Written quotes required for purchases over \$1,000
- In practice, most staff are obtaining written quotes for purchases over \$500

Quote Limit – Survey Says

Organization	Verbal Quote Limit	Written Quote Limit
Lodi	\$500	\$1,000
Elk Grove	\$500	\$5,000
Galt	not allowed	\$2,000
Manteca	\$1,000	\$10,000
Modesto	not allowed	\$1,000
Sacramento	not allowed	\$25,000
Stockton	not allowed	\$5,000
Tracy	not allowed	\$10,000

Quote Limit - Recommendation

- Staff recommends
 - No verbal quotes allowed
 - Written quote limit of \$2,500

Formal Bid Limit

- Currently require formal bids for purchases over \$20,000

Formal Bid Limit – Survey Says

Organization	Limit
Lodi	\$20,000
Elk Grove	\$50,000
Galt	\$20,000
Manteca	\$25,000
Modesto	\$50,000
Sacramento	\$100,000
Stockton	\$30,000
Tracy	\$50,000

Formal Bid Limit - Recommendation

- Staff recommends
 - Formal Bid Limit be set at \$30,000

City Manager/Department Head Limit

- Current signature limits are:
 - Department Heads - \$5,000
 - City Manager - \$20,000
- All items over \$20,000 come to Council for approval

CM/DH Limits – Survey Says

Organization	City Manager	Department Head
Lodi	\$20,000	\$5,000
Elk Grove	\$50,000	\$20,000
Galt	\$20,000	\$20,000
Manteca	\$25,000	\$10,000
Modesto	\$50,000	\$25,000
Sacramento	Delegate to DH	\$100,000
Stockton	\$30,000	\$30,000
Tracy	\$50,000	\$10,000

CM/DH Limits - Recommendation

- Staff recommends
 - City Manager - \$30,000
 - Engineering Department Heads (PW & EUD) - \$15,000
 - Other Department Heads - \$10,000

Reporting

- Currently
 - Report purchases between \$5,000 and \$20,000 to Council quarterly
- Proposed
 - Continue reporting purchases to Council quarterly based upon the newly adopted limits

Cal Card Usage

- Currently, 11 Cal Cards issued
 - 9 Department Heads
 - Buyer
 - Purchasing Technician
- All have a single transaction limit of \$500 with a monthly limit of \$5,000 to \$15,000
- Primary purpose is for training and travel expenses
 - Also used for operating expenses under \$500 per transaction

Cal Card Rebates

- City earns rebates in three ways
 - Prompt payments
 - Average transaction amount
 - Volume of transactions
- 2010/11 Purchases - \$146,576
- 2010/11 Rebates - \$1,185

Cal Card Proposal

- Expand the number of cards issued, the usage and the limits
- Authorize City Manager to approve issuance of cards
- Cards Issued
 - Expand to include first line supervisors
 - Estimate of 15 to 20 additional cards
- Usage
 - Expand to include supplies regularly purchased and any purchase below PO limits
- Limits
 - Revise to match PO/bid limits

Cal Card Approval Process - Current

- Cardholder reviews monthly statement
- Assembles receipts for each transaction
- Signs monthly statement
- Forwards to City Manager for approval
- Forwards to Finance for payment

Cal Card Approval Process - Proposed

- Cardholder reviews monthly statement
 - Assembles receipts for each transaction
 - Signs monthly statement
 - Forwards to Department Head for approval
 - Forwards to City Manager for approval
 - Forwards to Finance for payment
-
- Allow one exception for lack of receipts
 - Remove card on second exception

Cal Card Proposal Impact

- Increase the number of cards issued
- Simplify staff ability to get what they need in a timely manner
- Significantly reduce number of checks written
- Increase revenues

Cal Cards - Potential Rebates

Transaction Limit	# of Transactions	Annual Spend	Annual Rebate
Under \$500	5,161	\$1,735,253	\$10,562
Under \$1,000	5,733	\$2,473,521	\$14,992
Under \$1,500	5,848	\$3,022,068	\$18,308
Under \$2,000	6,046	\$3,527,998	\$21,359
Under \$2,500	6,137	\$3,924,050	\$23,749

Professional Services

- Expand the definition of those services exempt from bidding requirements
 - Laboratory and materials testing, aerial photography, construction management, computer technology consulting
- Develop a separate Purchase Order type for professional services in lieu of a Professional Services Agreement

Settlement Authority

- Authority to settle general liability and workers comp claims
- Current limits
 - City Manager - \$20,000
 - City Attorney - \$5,000
 - Former Risk Manager - \$5,000
- While City Manager has \$20,000 contract authority, claims settlement over \$5,000 has gone to Council for approval

Settlement Authority – Survey Says

Organization	City Manager	City Attorney	Risk Manager
Lodi	\$20,000	\$5,000	\$5,000
Alameda	\$75,000	\$25,000	\$10,000
Chico	\$50,000		\$25,000
Fairfield	\$25,000		\$10,000
Fremont	\$25,000	\$25,000	\$50,000
Livermore			\$50,000
Petaluma	\$20,000		
Redding	\$25,000	\$10,000	\$5,000
Richmond	\$10,000	\$10,000	\$10,000
Roseville	\$50,000		\$50,000
Stockton	\$30,244	\$30,244	\$30,244
Sunnyvale	\$50,000	\$50,000	\$50,000

Settlement Authority - Recommendation

- Staff recommends
 - City Manager - \$25,000
 - City Attorney - \$25,000
 - Risk Manager - \$10,000