



## **Staff Report**

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### RESOLUTION AMENDING PURCHASING AUTHORITY

Honorable Mayor and Council Members:

#### **Summary**

Two years ago, Council approved a revised Purchasing Control System granting staff, among other things, purchasing authorization up to \$100,000. Based on an analysis of the City's purchasing practices during the past twelve months, staff believes the purchasing threshold can be lowered and public accountability improved by reducing the Purchasing Officer and City Manager's purchasing authority to \$25,000 (Open Market Level 1) and \$50,000 (Open Market Level 2), respectively. Staff further recommends reducing the CPI Indexing of these thresholds to increments of \$2,500 and \$5,000, respectively.

#### **Background**

On July 8, 2003, Council approved a revised Purchasing Control System (Attachment A). The purpose of this comprehensive update was to reflect modern office practices, improve accountability commensurate with responsibility, establish procurement policy and implement changes in the law since the adoption or last amendment of the purchasing ordinance.

As part of that comprehensive update, under "Setting Purchase Limits," Council increased the thresholds, by resolution # 9439 (Attachment B) as follows:

- Open Market Level 1 - \$50,000.
  - (Purchase Order Requires Authorization Of Purchasing Officer; Contracts Require Authorization Of City Manager)
- Open Market Level 2 - \$100,000.
  - (Purchase Order Requires Authorization Of Purchasing Officer and City Manager; Contracts Require Authorization Of City Manager)
- Amounts indexed to CPI and increase in increments of \$5,000 and \$10,000, respectively.
- Amounts in excess of thresholds require City Council approval.

#### **Discussion**

Council Member Mathewson has asked that staff review the current purchase authorization level and suggested it should be lowered. Jack Crist, Interim City Manager, concurs with Council Member Mathewson and believes the "threshold of significance" in Belmont should be lower

than \$100,000. Staff researched this issue further, including an updated review of the purchasing authorization levels of other cities on the Peninsula (Attachment C). The Peninsula survey listed 7 cities. One city surveyed had spending limits that were or lower than \$50,000, while two were at \$50,000. By comparison, there is no state imposed limit other than for public construction contracts which is set at \$100,000 per statute. While Belmont’s purchasing ordinance revisions resulted in superior accountability as compared to other cities, thus supporting higher purchasing thresholds, staff nonetheless supports a recommendation of lowering the threshold, so that significant spending matters would be brought to Council for consideration and approval.

Staff’s analysis of the procurement system during the last twelve months revealed the following purchase orders:

Purchase Order Level	Quantity
Below \$50,000	108
Between \$50,000 and \$100,000	3
Above \$100,000	7
Total	118

Therefore, under a lower pending threshold of \$50,000 instead of \$100,000, a modest additional burden to staff is traded off for a significant improvement in public accountability.

Therefore based on the above, staff recommends Council lower the Purchasing Officer and City Manager’s purchase authorization for Open Market Level 1 and 2 purchases from a threshold of \$50,000 and \$100,000, respectively to a threshold of \$25,000 and \$50,000, respectively. Commensurate with this change, staff also recommends proportionately reducing the CPI Indexing increments for these thresholds to \$2,500 and \$5,000, respectively. This change will maintain the purchasing power over time consistent with the original design of the system.

All other portions of the comprehensive Purchasing Control System adopted by Council on July 8, 2003 would remain the same.

**Finance Commission Comments**

This matter was brought to the Finance Commission for comments and recommendation at their December 7<sup>th</sup> Special Meeting. Based on the fact that there are budgeted amounts in place, monthly reporting on purchasing, and robust internal controls, the Commission commented that, as a group, they do not perceive a need to revise the Purchasing Officer and City Manager’s purchase authorization. However, since staff recommended the change, they will give deference to staff’s recommendation with the proviso that it be reviewed periodically to ensure that it has not become an administrative burden.

**Fiscal Impact**

There is a minor fiscal impact related to this action associated with preparation of additional staff reports. The amount of the impact is estimated to be modest.

**Public Contact**

Posting of City Council agenda.

**Recommendation**

Pursuant to the purchasing ordinance, purchasing limits are set by resolution. Staff recommends adoption of a resolution amending the current purchasing limits (Attachment D) as described above. If approved by Council, staff will issue a comprehensive update to the purchasing policies to reflect the changes discussed in this report.

**Alternatives**

1. Council may elect to maintain the current purchasing authorization thresholds.
2. Council may elect to modify the recommended purchasing authorization threshold.
3. Council may elect to set the purchasing authorizations periodically based on some other criteria other than automatic incremental increases that are tied to the Consumer Price Index (CPI).

**Attachments**

- A. Proposed Resolution
- B. July 8, 2003 Staff Report with Attachments
- C. Resolution # 9439, dated July 8, 2003 on Setting Purchase Limits with current table
- D. Sampling of Purchasing Authorization Limits for other Peninsula Cities

Respectfully submitted,

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Thomas Fil  
Finance Director

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Jack R. Crist  
Interim City Manager

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**RESOLUTION # \_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT  
AMENDING EXHIBIT 1 TO RESOLUTION # 9439 REGARDING PURCHASE  
LIMITS.**

**WHEREAS**, In the course of conducting City operations it is necessary to purchase a broad range of goods and services; and

**WHEREAS**, Chapter 2 of the municipal code requires the Council to specify by resolution the dollar amount of purchases and contracts requiring the use of either over-the-counter, open market or formal bidding procedures and the level of authority required to authorize invitations for bids and award of contracts; and

**WHEREAS**, The Council desires to establish guidelines to reflect current conditions and implement improved procedures;

**WHEREAS**, resolution #9439 in Exhibit 1 defined certain dollar thresholds, for such purchases and contracts:

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council adopts attached amended Exhibit 1 to Resolution #9439 regarding purchasing limits.

\* \* \* \* \*

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on January 10, 2006 by the following vote:

AYES, COUNCILMEMBERS: \_\_\_\_\_

NOES, COUNCILMEMBERS: \_\_\_\_\_

ABSTAIN, COUNCILMEMBERS: \_\_\_\_\_

ABSENT, COUNCILMEMBERS: \_\_\_\_\_

\_\_\_\_\_  
CLERK of the City of Belmont

APPROVED:

\_\_\_\_\_  
MAYOR of the City of Belmont

**EXHIBIT 1**

<b>TABLE 1</b>			
<b>Type</b>	<b>Description</b>	<b>Threshold Value</b>	<b>Incremental Value</b>
Over-the-Counter	Authorized by the Department. No specific purchasing requirements established. Competitive bidding should be used whenever practical. No formal bid required.	\$5,000.00	\$1,000.00
Open Market <i>Level 1</i>	Purchase orders authorized by the Purchasing Officer or designee and contracts authorized by the City Manager or designee pursuant to procedures established in Section 2-110 of the municipal code.	\$25,000.00	\$2,500.00
Open Market <i>Level 2</i>	Purchase orders authorized by Purchasing Officer and City Manager, or designees, or contracts authorized by the City Manager or designee pursuant to procedures established in Section 2-110 of the municipal code.	\$50,000.00	\$5,000.00
Formal Contract	Requires competitive bid by sealed envelope delivered to Purchasing Officer on a bid form approved by Purchasing Officer. Formal contracts for personal services are exempted from competitive bid process pursuant to procedures established in Section 2-107 of municipal code. Award of contract shall be authorized by City Council.	Amount in excess of Open Market Level 2 Threshold Value	Not applicable
Public Construction	Requires plans, specifications and estimates of cost to be prepared and shall submit them to the City Council for approval. Such approval may occur at the time of final award of contract. Requires competitive bids. Final award shall be made by the City Council.  Authorizes the Purchasing Officer or designee to approve change orders on purchase orders up to Open Market Level 1 limits and the City Manager and Purchasing Officer to approve change orders on purchase orders up to Open Market Level 2 limits. Authorizes the City Manager or designee to approve change orders for contracts up to Open Market Level 2 limits. Expenditures in excess of limits, or in excess of the amount budgeted for such purpose shall be subject to approval by the City Council.	Pursuant to Public Contracts Code Section 22032	Not applicable

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