

Yours Truly

Procurement Policy Update and Adoption

City Council Work Session

August 17, 2017

Agenda

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5. 2017 Procurement Policy Highlights and Significant Changes
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Committee Members

- Ben Calia, DeeDee Tschirhart - Procurement and Contract Services
- Conrad Lamb, Darlene Pickett, Patty Sanderson - Finance
- Brian Head, Jackie McCormick-Heanue - Law
- Nick Edwards - Administration
- Joe Snook, Carole Culbertson - Parks & Recreation
- Bradd Gartin - Police
- Dena Mezger, Bob Hartnett - Public Works
- Rick Poeschl - Fire
- Teresa Wright - ITS
- Brent Boice - Water

Policy Background

CURRENT POLICY

1. Originally adopted in 1999- Fully Revised in 2006, sporadic revisions until 2012
2. Previous ERP* Software-New World
3. E-procurement not identified
4. E-bidding not identified
5. No. of Contracts-2006: 239
6. Procurement Employees: 7
7. Budget FY06: Total Exp:\$214,941,636
8. General Fund: \$50,741,899
9. Centralized Procurement

* ERP (Enterprise Resource Planning)

PROPOSED POLICY

1. Proposed adoption of revised Procurement Policy-2017
2. Current ERP* Software-INFOR
3. E-procurement identified
4. E-bidding identified
5. No. of Contracts-2016: 275
6. Procurement Employees: 4
7. Budget FY17: Total Exp:\$208,419,359
8. General Fund: \$64,397,020
9. Semi-decentralized Procurement
10. Response to 2017 Procurement Audit

Policy Update Goals

1. Increase efficiency and effectiveness of the procurement process and maximize use of City resources by updating and streamlining processes
2. Continue competitive procurement processes
3. Continue to provide the necessary checks and balances to ensure fiscal responsibility in the utilization of public funds
4. Create thresholds in line with comparator municipalities
5. Establish disciplinary action for violation of policy

Current Policy Deficiencies

1. Minimal definitions to aid staff in understanding of policy
2. Out of date terminology
3. No reference to Enterprise Resource Planning (ERP) system (INFOR)
4. Lack of procedures for use of term professional services agreements/construction contracts
5. Confusing policy organization, descriptions and methodology making it difficult to find needed information
6. Inefficient dollar thresholds for efficient procurement
7. Does not address the semi-decentralization of Procurement
8. Does not have disciplinary action for policy violation

2017 Procurement Policy Highlights

1. Committee collaboration in reviewing policy cover to cover
2. Updated to reflect changes since 2006 revised policy adoption:
 1. E-procurement and e-bidding
 2. INFOR ERP system
 3. Semi-decentralization of Procurement
 4. License, permits, insurance and vendor requirements
4. Reviewed for efficiencies
5. Ensure outcome was inline with goals

Updated Policy Significant Changes

Updated policy proposes:

1. Increased spend thresholds for procurement of goods and services
2. Revisions to administrative approval of contract amendments
3. Disciplinary action for violation of policy

Efficiency is gained with more timely procurement by reducing the number of items in the Council approval process:

1. On average, the number of Council/Committee agenda items would be reduced by 15% per year (not including design and construction awards)
2. Total value of procurement items approved by Council reduced by average of 7% per year

Thresholds Comparative Analysis

38 governmental agencies from Missouri and Kansas surveyed:

1. Data was sorted and compared by formal solicitation thresholds
2. 26 cities were utilized for the comparative analysis
3. The other 12 entities surveyed were non-city public entities

Threshold Analysis Summary

Comparing thresholds of the 26 comparator cities to Lee's Summit current policy:

1. 89% of the agencies have a higher *unrestricted* threshold
2. 93% of the agencies have a higher *quotes* threshold
3. 96% of the agencies have a higher *informal solicitation* threshold
4. 94% of the agencies have a higher *formal solicitation* threshold
5. 81% of the agencies have a higher *formal (Legislative) approval* threshold

Threshold Recommendations

Spend Thresholds:	Current:	Proposed:
Unrestricted	Up to \$1,000	Up to \$2,999.99
Quotes	\$1,000 to \$3,000	\$3,000 to \$9,999.99
Informal Solicitations	\$3,000 to \$10,000	\$10,000 to \$49,999.99
Formal Solicitations	\$10,000+	\$50,000+
Formal (Legislative) Approval:	\$20,000+	\$50,000+

Contract Amendments

Proposed policy continues requirement that all changes in contract scope, cost and time increases in excess of designated amounts or percentages must be considered by Council.

Non-Construction Contract-Changes

Current:

1. Any increase that would increase the total expenditures to exceed \$20,000.00, a written contract modification or supplemental agreement shall be considered by City Council.
2. Any contract modification or supplemental agreement that does not cause the total contract amount to exceed \$20,000.00 may be executed by the City Manager.

Proposed:

1. Changes resulting in total contract amount of \$49,999.99 or less must be approved by the applicable Department Director and considered by the City Manager.
2. Changes resulting in total contract amount of \$50,000 or more must be considered by the City Council and executed by the City Manager.

Construction Contract-Changes

Change order approval procedure currently allows administrative approval based on value of contract:

1. Up to 10% increase for contracts < \$100,000
2. Up to 5% increase for contracts > \$100,000

Retain procedure but change value of contract from \$100,000 to \$500,000

All changes pertaining to scope shall still require Council approval

One Time Design Consultant Contract-Changes

Currently all changes require council approval regardless of amount

Proposed procedure similar to construction contract change order process:

1. Modifications up to a cumulative total increase of 5% of original contract amount may be approved by City Manager
2. Any single increase that exceeds 5% of original contract amount or \$100,000 or more, or any change in scope requires Council approval.

Right of Way-Easement Acquisition

1. Current Policy:

Approval by City Manager:

1. Proposed settlement is equal to or less than \$5,000 or
2. The proposed settlement amount is between \$5,000 and \$20,000 and /or if the excess amount is not greater than 10% of Appraised Value or
3. Proposed settlement amount is not in excess of \$50,000 and is equal to or less than the Appraised Value.
4. All other acquisitions must be presented to the Mayor and Council for approval.

2. Proposed Policy:

1. Staff may acquire property when the property is needed to proceed with a Capital Improvement Program project that has been approved by Council and project funding was part of the current capital or annual budget approved by Council.
2. If the settlement amount is equal to or less than the appraised value or the excess amount is less than or equal to \$10,000, City Manager may approve the acquisition.
3. All other proposed acquisitions requires City Council approval.

Summary

Proposed policy:

1. Maintains competitive procurement processes
2. Maintains the necessary checks and balances to protect the utilization of public funds
3. Maximizes the efficient and effective utilization of City resources including City Council, City Council Committees and City Staff