



Finance Committee Memorandum

City of Arts & Innovation

TO: FINANCE COMMITTEE **DATE: SEPTEMBER 25, 2017**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

**SUBJECT: ENHANCEMENTS TO THE CITY'S CENTRALIZED PURCHASING SYSTEM
ADMINISTERED THROUGH THE FINANCE DEPARTMENT'S PURCHASING
DIVISION**

ISSUES:

Review, provide input, and forward a recommendation to the City Council to approve a Resolution to include enhancements to the City's Centralized Purchasing System.

RECOMMENDATIONS:

That the Finance Committee:

1. Review, provide input on, and forward to the City Council the recommended enhancements to the City's Centralized Purchasing system;
2. Direct staff to work with City Attorney's Office to finalize the Purchase Resolution changes and forward to the City Council for approval in October 2017; and
3. Direct staff to return to the City Council in one-year with an update.

LEGISLATIVE HISTORY:

City Charter Section 1105, Centralized Purchasing, and City's Municipal Code Chapter 3.16, Centralized Purchasing, requires the City to have a Centralized Purchasing System. Section 601(d) of the City Charter, Powers and Duties of the City Manager, requires the City Manager to prepare rules and regulations governing contracting/purchases, subject to approval of the City Council.

BACKGROUND:

In June 2016, the Matrix Consulting Group presented an Operational and Performance Audit of the Finance Department. With regards to the purchasing function, the report stated the City should:

1. Review/clarify how purchases are paid/tracked;
2. Increase procurement dollar thresholds;

3. Perform a more in-depth review of bid/request for proposal specifications from City Departments;
4. Perform a more thorough review of all City contracts;
5. Review use of evergreen contracts;
6. Establish a formal vendor performance evaluation process; and
7. Add staff to ensure centralized purchasing could be done properly.

In August 2016, as a response to the Matrix Consulting Group audit and feedback from other departments, the Finance Department formed a Citywide Purchasing Task Force. The Purchasing Task Force was comprised of 83 members, representing all City Departments. The goal of the Task Force was to create a more streamlined, transparent and effective approach to purchasing. The approach of the Task Force was to assess the City's current purchasing policies, procedures and workflow, and recommend changes to accomplish the above goal.

On August 10, 2016, the Finance Committee provided feedback on the goals and objectives of the City's Purchasing Task Force and directed staff to return to the Finance Committee with recommendation on the City's existing purchasing processes and policies.

DISCUSSION:

Based on the work of the Citywide Purchasing Task Force and subsequent additional input from City departments, the Finance Department has developed a Purchasing Task Force Action Plan ("Action Plan"). The Action Plan presents a series of recommendations to improve the existing purchasing policies and procedures in order to create a more streamlined, transparent and effective approach to purchasing. The Action Plan is provided as Attachment 1. Below is a summary of key recommendations.

Big Picture Changes

1. Redefine how a centralized purchasing system operates;
2. Rewrite the Purchasing Resolution;
3. Add transparency and enhance internal controls;
4. Make significant changes to the various Administrative Manuals that provide procedures for various purchasing processes; and
5. Establish a formal training program for City employees involved in purchasing.

Procedural Changes

1. Provide semi-annual reports on Library and Riverside Public Utility purchases approved by governing bodies as allowed by the City's Charter;
2. Eliminate travel cards;

3. Allow Purchasing Manager to reject all bids and re-bid without City Council approval for formal bid items (except public works/construction projects – City Charter requirement);
4. Permit approval of annual Purchase Orders as part of the budget process; and
5. Establish a formal vendor evaluation process for procurements above \$1 million.

Authority Limits

1. Raise limits on Purchasing Cards from \$2,500 to \$10,000; and
2. Raise financial threshold of purchases needing bids from \$2,500 to \$10,000.

FISCAL IMPACT:

There is no fiscal impact associated with the recommendations in this report. However, the recommended improvements are expected to result in additional efficiencies and better controls in the City's purchasing process.

Prepared by: Bobby Magee, Purchasing Manager
Certified as to
availability of funds: Adam Raymond, Chief Financial Officer/ Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Purchasing Task Force Action Plan
2. Presentation